



**NATIONAL AERONAUTICS AND
SPACE ADMINISTRATION**

**FINANCIAL MANAGEMENT
REQUIREMENTS**

VOLUME 17

**WORKING CAPITAL FUND
POLICIES AND REQUIREMENTS**

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WORKING CAPITAL FUND**TABLE OF CONTENTS**

NASA WORKING CAPITAL FUND DEFINITIONS

CHAPTER 1. WORKING CAPITAL FUND (WCF) GENERAL POLICIES AND REQUIREMENTS.....	1-1
--	-----

CHAPTER 1. APPENDIX 1. BUSINESS CASE DEVELOPMENT INSTRUCTIONS FOR NATIONAL AERONAUTICS AND SPACE ADMINISTRATION WORKING CAPITAL FUND CANDIDATES.....	1-1-1
--	-------

CHAPTER 1. APPENDIX 2. OBJECTIVES OF THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION WORKING CAPITAL FUND.....	1-2-1
--	-------

CHAPTER 1. APPENDIX 3. CRITERIA FOR NATIONAL AERONAUTICS AND SPACE ADMINISTRATION WORKING CAPITAL FUND CANDIDATES.....	1-3-1
--	-------

CHAPTER 1. APPENDIX 4. ACCOUNTING TRANSACTIONS.....	1-4-1
---	-------

CHAPTER 1. APPENDIX 5. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION WORKING CAPITAL FUND FINANCIAL AND MANAGEMENT REPORTS	1-5-1
--	-------

CHAPTER 1. APPENDIX 6. NASA WORKING CAPITAL FUND END TO END REQUIREMENTS.....	1-6-1
---	-------

CHAPTER 2. CUSTOMER ORDERS.....	2-1
---------------------------------	-----

CHAPTER 2. APPENDIX 1. GSA FORM 49	2-1-1
--	-------

NASA WORKING CAPITAL FUND DEFINITIONS

These definitions are provided as a reference guide to terms used in the regulation, which are unique to the Federal Government or the National Aeronautics Space Administration. Other terms used in accounting and financial management maybe defined in other volumes within this Regulation and is not duplicated in this volume.

Acceptance. Acceptance constitutes acknowledgment that the supplies or services conform to applicable contract quality and quantity requirements. Acceptance may take place before delivery, at the time of delivery, or after delivery, depending on the provisions of the terms and conditions of the contract.

Accumulated Operating Results (AOR). Represents the net difference since the inception of the business entity between (1) expenses and losses, and (2) financing sources including appropriations, revenues, and gains.

Amortization. The process of spreading the cost of an intangible asset over the expected useful life of the asset. For example: a company pays \$100,000 for a patent, they amortize the cost over the 16-year useful life of the patent.

Anticipated Reimbursements. An estimate of reimbursements expected to be earned during the current fiscal year.

Anti-Deficiency Act (ADA). The main features of this Act (31 U.S.C. 1517) include: prohibitions against authorizing or incurring obligations or expenditures in excess of amounts apportioned by the Office of Management and Budget (OMB) or in excess of amounts permitted by agency regulations; and establishment of procedures for determining the responsibility for violations and for reporting violations to the President, through OMB and to the Congress.

Beginning of Period (BOP). The start of a specified fiscal year normally on October 1 used to determine the opening "snapshot" status of resources.

Break-even. The point at which revenues from sales exactly equal total incurred cost, i.e., $\text{Revenues} = \text{Costs}$.

Rates. The NASA CFO will review and approve all final rates and prices developed for the President's budget submission during the budget review. Rates to be charged customers will be developed by the WCF business entities in their budget estimate submission to recoup all costs associated with the operating and capital budgets including all labor and non-labor, direct, indirect, and general and administrative overhead costs. Business entities will make corresponding adjustments in appropriated customer account budget requests to ensure the customer and WCF business budgets are in balance.

Business Entity. A NASA WCF authorized program/function that provides goods or products (e.g. supplies, materials, equipment) and services (e.g. contract administration, test services) on a reimbursable basis to other organizations within NASA; to other agencies or instrumentalities of

the United States; to any State, Territory, or possession or political subdivision thereof; to other public or private agencies; or to any person, firm, association, corporation, or educational institution on a reimbursable basis. .

Capital. (1) Those goods whose purpose is to generate income. (2) The net difference between assets and liabilities.

Capital Expenditure. The amount used during a particular period to acquire or improve assets such as property, plant or equipment.

Capital Investment. The reinvestment in the infrastructure of business entities.

Capitalized Costs. Capital investments that are written off or deducted over a period of time through depreciation or amortization schedules.

Capitalize. Record capital outlays as additions to asset accounts, not as expenses; or convert a lease obligation to an asset/liability form of expression called a *capital lease*, i.e., to record a leased asset as an owned asset and the lease obligation as borrowed funds.

Cash Corpus. The amount of cash required to maintain and operate the working capital fund. These funds are used to cover expenses until an advance or collection for goods and services provided is received.

Centralized Management. The concept of using a single, designated management authority. It includes system management, program/project management, and product management.

Charter. Formal document prepared by the Program Manager and approved by the NASA CFO to establish a business entity. The charter delineates the Program Manager's responsibility, authority and major functions, and describes relationships with other organizations that use and/or support the program and identifies the goods/products that will be provided or the services that will be performed. The charter also describes and authorizes unique management requirements of that business entity.

Costs. The price or cash value of the resource used to produce a program, project, or activity.

Cost Allocation. A method of assigning costs to activities, functions, or outputs.

Cost-Benefit Analysis. An analytic technique that compares the costs and benefits of investments, programs, or policy actions in order to determine which alternative or alternatives maximizes net profits. Net benefits of an alternative are determined by subtracting the present value of costs from the present value of benefits.

Cost Per Output. The term Cost per Output is synonymous with Unit Cost. It is the relationship of resources consumed to outputs produced. Simply stated: the Cost of Resources divided by the Number of Outputs equals the Cost per Output or Unit Cost.

Cost Estimate A judgment or opinion regarding the cost of an object, commodity, or service. A result or product of an estimating procedure, which specifies the expected dollar cost required to perform a stipulated task or to acquire an item. A cost estimate may constitute a single value or a range of values.

Customer Order. A funded request for goods or services from an ordering activity (customer). A customer order creates a quasi-contractual relationship between a NASA WCF business entity and its customer since acceptance of a customer order requires that the performing business entity agree to perform the work for the customer entity. Customer orders also provide the budgetary and cash resources necessary to finance operations.

Depreciation. Amount of expense charged against business entity earnings to write off the cost of a capital asset over its useful live, giving consideration to wear and tear, obsolescence, and salvage value. Within the NASA WCF, unless otherwise approved by the NASA CFO, the straight-line depreciation method should be used through which depreciation expense is recognized in equal amounts in each business period over the life of the asset.

Direct Labor Hour (DLH). DLHs are the number of hours required to perform the direct work on a product, or to perform a billable service for customers. Direct labor hours generally include the hands-on direct production effort that follows the established sequence and content of work necessary to accomplish the billable job. Direct Labor Hours do not include the support work or man-hours identified as either indirect or general and administrative in nature.

Expenditure. The dollar value of goods and services received for which payment (cash outlay) has been made. Expenditure differs from expense in that expense refers to the consumption (use) of a good or service.

Expenses. Value of resources (goods and services) consumed during current period operations.

Federal Accounting Standards Advisory Board (FASAB). The FASAB was established October 1990 and their role is to deliberate upon accounting principles and standards for the federal government and its Executive Branch agencies and to forward final standards for a 90-day review period.

Fixed Costs/Expenses. Operating expenses that are incurred to provide facilities and organization that are kept in readiness to do business without regard to actual volumes of production and sales. Fixed costs remain relatively constant until changed by managerial decision. Within general limits they do not vary with business volume. Examples of fixed costs consist of civil service salaries and rent.

General and Administrative (G&A) Costs. Costs that cannot be related or traced to a specific project, but benefit all activities. Such costs are allocated to a project based on a reasonable, consistent basis.

General Ledger. Accounting record that shows all the financial statement accounts of a business.

Indirect Cost. That portion of cost that is indirectly expended in providing a product or service for sale (cannot be traced to a given cost object in an economically feasible manner) and is included in the calculation of Cost Of Goods Sold, e.g. rent, utilities, equipment maintenance, etc.

Operating Budget. The operating budget contains the annual operating costs of a business entity including depreciation or amortization expenses, and major maintenance and repair.

Overhead. Costs associated with providing and maintaining a working environment. For example: renting the building, heating and lighting the work area, supervision costs and maintenance of the facilities. Includes indirect labor and indirect material.

Rate Change. The WCF rate change is the percentage change of the stabilized rate or price between fiscal years. As an example, the budget year rate is determined by dividing the approved Direct Labor Hour rate proposed for the budget year by the stabilized Direct Labor Hour rate in effect for the current execution year. That value, expressed as a percentage (plus or minus from a base of one), is the composite price change rate customers will use in their appropriated funds submissions.

Revenue. The inflows of assets from selling goods and providing services to customers; including the reduction of liabilities from selling goods and providing services to customers.

Revolving Funds. A fund established by the Congress to finance a cycle of operations through amounts received by the fund. A WCF is one type of revolving fund.

Stabilized Rates. The cost customers are charged for the goods and services provided by a WCF business entity. A stabilized rate is established for the fiscal year(s) budget being formulated during the budget review process. The stabilized rate is determined by taking the approved output measure for the budget year and adjusting it for changes in the costs of purchases and for the impact of prior year gains or losses as reflected by the Accumulated Operating Result and other needs for working capital. This annual stabilized rate is the rate that will be charged for all new customer orders received and accepted during that specific fiscal year, regardless of the fiscal year the work is actually executed and billed.

Standard Price. The price customers are charged and which remains constant throughout a fiscal year except for the correction of significant errors or other extraordinary events and then, only with approval of the NASA CFO.

Straight-Line Depreciation Method. Allows an equal amount to be charged as depreciation for each year of the expected use of the asset. It is computed by dividing the adjusted basis of a property by the estimated number of years of remaining useful life.

Transfer. The movement of budgetary resources from one budget account to another. Depending upon the circumstances, the budget may record a transfer as an expenditure transfer that involves an outlay, or as a non-expenditure that does not involve an outlay.

Working Capital Fund. A revolving fund that operates as an accounting entity in which the assets are capitalized and in which all income is derived from the operations of its activities. The fund is available to finance continuing operations without fiscal year limitations.

Working Capital Fund Corporate Board: A board, chaired by NASA's Chief Financial Officer (CFO), that works collaboratively to develop, review, and recommend WCF policies and procedures.

CHAPTER 1**WORKING CAPITAL FUND GENERAL POLICIES AND REQUIREMENTS**0101 GENERAL010101. Overview

A. The NASA WCF was established to satisfy recurring agency-wide NASA requirements through use of a business like buyer and seller approach. In some instances, the "customers" contract with NASA "provider" organizations that have expertise in the required good or service and operate under financial management principles. Unlike profit-oriented commercial businesses, the WCF financial goal is to break even. WCF selling prices established in the budget are stabilized or fixed during execution to protect customers from unforeseen fluctuations that could impact on their ability to execute the programs.

B. The basic tenet of the WCF structure is to create a customer-provider relationship between those requesting a good or service (customer) and the WCF business entity (provider). This relationship is designed to make WCF managers and decision-makers at all levels more concerned with the costs of goods and services. Prior to the establishment of a business entity under the NASA WCF, a charter, which sets forth the mission and responsibilities of the business entity shall be prepared and submitted to the NASA Chief Financial Officer (CFO) for approval.

C. The General Accounting Office (GAO), in its Principles of Federal Appropriations Law, Volume IV, Chapter 15, Section C, "Revolving Funds," pages 15-81 through 15-129, discusses the legal concepts of revolving funds. A read of that section provides an excellent background on revolving funds in general and is recommended. The web address for the GAO's Appropriations Law Volume IV is: <http://www.gao.gov/special.pubs/d01179sp.pdf>. Once at that address, select "Legal Products" from the left menu and then select "Volume IV" under "Principles of Federal Appropriations Law."

010102. Authorizing Legislation. Public Law 108-7, enacted on February 20, 2003, established in the United States Treasury a NASA WCF. Following is the text of the authorizing legislation:

"There is hereby established in the United States Treasury a National Aeronautics and Space Administration working capital fund. Amounts in the fund are available for financing business entities, services, equipment, information, and facilities as authorized by law to be provided within the Administration; to other agencies or instrumentalities of the United States; to any State, Territory, or possession or political subdivision thereof; to other public or private agencies; or to any person, firm, association, corporation, or educational institution on a reimbursable basis. The fund shall also be available for the purpose of funding capital repairs, renovations, rehabilitation, sustainment, demolition, or

replacement of NASA real property, on a reimbursable basis within the Administration. Amounts in the fund are available without regard to fiscal year limitation. The capital of the fund consists of amounts appropriated to the fund; the reasonable value of stocks of supplies, equipment, and other assets and inventories on order that the Administrator transfers to the fund, less the related liabilities and unpaid obligations; and payments received for loss or damage to property of the fund. The fund shall be reimbursed, in advance, for supplies and services at rates that will approximate the expenses of operation, such as the accrual of annual leave, depreciation of plant, property and equipment, and overhead.”

010103. Treasury Account Symbol

A. The Treasury Account Symbol for the NASA WCF is 80X4546.

B. The following table illustrates the components of the NASA WCF Treasury Account Symbol:

Treasury Agency Symbol	80	“80” is the Treasury Agency code number for NASA
Period of Availability	X	“X” designates a no-year appropriation that is available for obligations for an indefinite period of time
Account Symbol	4546	“45xx” designates the Intragovernmental Revolving Funds fund group

010104. NASA WCF Mission. NASA’s WCF Mission Statement is “to establish a revolving fund that promotes economy, efficiency, and accountability with fully reimbursed rates by focusing on streamlining operations, extending resources, measuring performance, and improving customer satisfaction.”

010105. Authorized Customers

A. Customers of a NASA WCF business entity may be:

1. Any NASA Center, organization, office, or other element.
2. Non-NASA federal government agencies.
3. Private parties and concerns including foreign, state and local governments as authorized by law.

0102 WCF CORPORATE BOARD

010201. Mission. The mission of the NASA WCF Corporate Board is to work collaboratively to review and recommend WCF policies and procedures for consideration and acceptance by the NASA CFO. The Board shall meet on a periodic basis, generally quarterly. Examples of Board actions are:

- A. Comment upon proposed and current NASA WCF policies and their impact on NASA.
- B. Review business entities for inclusion or exclusion in the NASA WCF.
- C. Review and recommend changes to a NASA WCF business entity's charter.
- D. Evaluate performance of individual business entities and the impact of that performance on cash, and on operating and capital investment goals.
- E. Establish sub-groups as needed to address issues and concerns of Board members or others not directly represented on the Board.
- F. Provide feedback on WCF rate adjustments and other relevant issues that arise through the year that impact the WCF or its customers.

010202. Composition. The NASA Deputy Chief Financial Officer (DCFO) shall select Board members and act as chair. The Board members shall consist of one representative or their designated alternate from the following organizations:

- A. NASA Headquarters Director of Financial Management
- B. NASA Headquarters Comptroller
- C. NASA Centers CFOs –three Centers represented
- D. Customer Representation
- E. Other representatives as deemed necessary by the NASA CFO

0103 NASA WCF CONCEPTS010301. Reimbursements

A. NASA WCF Reimbursement Concept. NASA WCF business entities charge for goods and services provided. A NASA WCF business entity operates in a business-like manner, recovering full costs for goods and services provided based on a price

schedule established through a rate-setting process. The amount charged to the customer, in addition to operating expense recovery may include amounts sufficient to finance continuing operations, acquire capital assets, and adjust for prior year results of operations.

B. Distinction Between a WCF Business Entity and a Reimbursable Agreement. A fundamental distinction between the WCF and a reimbursable agreement is that the NASA WCF bills its customers a pre-set price for the good or service it provides while, under a reimbursable agreement, a customer is billed for costs incurred. The pre-set price billed by the WCF is designed to recover the operating and capital budget costs of the performing WCF business entity. However, during execution of the order, the price may be more than, or less than costs incurred by the WCF entity. This is normal and expected because the price is usually set in advance of performance so that the ordering activity can better budget for the acquired service. Operating gains and losses of a WCF are recovered from customers in the rates established for subsequent fiscal years.

010302. NASA WCF Organizational Relationships. Designation of a NASA agency-wide program or function as a NASA WCF business entity does not, by itself, change any organizational relationships that existed prior to such designation. The WCF is not a physical entity or corporation, but rather is a funding mechanism, a revolving fund, through which a provider/customer relationship is established. Under a provider/customer relationship, the NASA WCF, the provider, charges a price for goods and services furnished to its customers that will recoup WCF costs and finance continuing operations. There is a continuing impetus on the WCF to provide a quality good or service for the best value that benefits NASA and the American taxpayer.

010303. Application and Selection of Business Entities. The NASA WCF consists of business entities that are chartered (i.e., approved by the NASA CFO) and that are managed by program/function managers located within NASA. To become a WCF business entity, the entity must either be selected by the NASA CFO or apply for approval. Under either event, an application for designation as a NASA WCF business entity shall be prepared as specified in Appendix 1 to this chapter.

010304. Charters. The NASA business entities to be financed through the NASA WCF shall be chartered under the NASA WCF to achieve the objectives contained in Appendix 2 to this chapter. A charter shall be submitted by the Program/Function Manager through NASA Center Director or Center CFO for final approval by the NASA CFO. Before charter preparation, actions shall be taken to ensure that the proposed business entity meets the criteria established as described in Appendix 3 to this chapter. After charter approval, the chartered WCF business entity shall review it annually to assure it remains current. Changes, if needed, to maintain its currency shall be prepared and submitted to the NASA CFO for approval.

010305. Conformance with Policy Issuances. The financial management and financial operations of each business entity shall comply with financial management guidance and policies issued by the NASA CFO. The policies, procedures, and reporting requirements

contained within the NASA Financial Management Regulation (FMR) apply to all NASA business entities unless otherwise specified.

0104 CAPITALIZATION OF THE NASA WCF

010401. Transfer of Unexpended Balances

A. Unexpended balances include unobligated funds and unliquidated obligations (open obligations not fully disbursed). Upon initiation of a working capital fund activity, unexpended funds transferred, and customer advances, shall provide cash to pay expenses. If sufficient funds are advanced to the WCF business entities, then there may be no transfer of unexpended balances.

B. The following conditions shall apply if any unexpended balances need to be transferred:

1. Only balances of appropriations provided for the same purposes as the purposes of the NASA WCF may be transferred.

2. The transferring appropriation may not transfer expired or canceled appropriation balances. However, unobligated balances that are available for new obligations may be transferred to the NASA WCF. In accordance with the NASA FY 2003 appropriation language, "Amounts in the fund are available without regard to fiscal year limitation." Obligated balances of the transferor appropriation for services/equipment to be delivered and used by the WCF should be deobligated from the transferor appropriation, the deobligated funds then transferred to the NASA WCF and the services/equipment reobligated within the WCF.

3. Based on guidance from the NASA CFO, the WCF staff will coordinate with new WCF business entities to transfer the amount, if any, of available unexpended balances into the NASA WCF. These balances must meet the above conditions prior to being transferred into the NASA WCF. Care must be taken to ensure that sufficient funds are left in the transferor appropriation to cover any remaining liabilities.

4. In order to capture all true costs that comprise the daily operations of the WCF, the WCF staff will analyze all undelivered non-capital equipment and supplies purchased using the transferor appropriation(s) of the WCF business entities, and transfer those items (purchases for goods/services) into the WCF, where appropriate.

5. Each fiscal year, as needed, it is the responsibility of the Director of Financial Management to request and receive an Office of Management and Budget (OMB) apportionment in order to transfer unexpended balances into the NASA WCF. Both the losing account (the transferor appropriation) and the gaining account (the WCF) must be apportioned.

010402. Transfers of Inventory and Property. The NASA FY 2003 appropriation language states, "The capital of the fund consists of "... the reasonable value of stocks of

supplies, equipment, and other assets and inventories on order that the Administrator transfers to the fund...” Any transferred capital equipment will be valued at book value (original cost less accumulated depreciation). Inventories will be valued at original cost.

010403. Advances/Cash

A. The Agency’s FY 2003 appropriation language provides that “...The fund shall be reimbursed, in advance, for supplies and services at rates that will approximate the expenses of operations...” Accordingly, the WCF business entities shall be advanced funds identified in WCF customer orders during the fiscal year, as required, to enable the WCF activity to pay for its costs of operation. Net outlays shall be transferred to the fund via non-expenditure transfer and recorded in appropriate proprietary and budgetary accounts.

B. Cash generated from operations is the primary means of maintaining adequate cash balances within the NASA WCF. The ability to generate cash is dependent on rates that recover full costs to include prior year losses; accurate workload projections; and meeting established operational goals. Cash shortage correction efforts, when required to meet cash requirements and prevent a violation of the Antideficiency Act, will initially focus on those business entities failing to meet operational plans and, therefore, contributing to cash shortages.

010404. Annual Leave

A. NASA’s FY 2003 appropriation language provides “...that “The fund shall be reimbursed, in advance, for supplies and services at rates that will approximate the expenses of operations, such as the accrual of annual leave. . .”

B. The annual leave within a WCF differs from that of an appropriated fund. In an appropriated fund, the accrual of annual leave is unfunded. However, as required by the NASA WCF appropriation language, the accrual of annual leave within the NASA WCF is funded. Therefore, personnel assigned from an appropriated fund activity to a WCF business entity are accompanied by a liability for the amount of accrued earnings and annual and sick leave earned by those employees prior to their transfer. Ordinarily, payment in the form of cash or other agreed upon equivalent assets such as operating materials and supplies or equipment should be made to the receiving WCF business entity for the amount of the liabilities assumed. However, in some cases, a full payment for liabilities of transferred personnel may not be received. In these cases, the earned leave liability transferred into the fund will be amortized and charged as a WCF operating expense. The amortization period will be determined based on careful consideration of the WCF needs to pay liabilities for retirements and/or other employee terminations balanced against the effect on rates charged to WCF customers.

C. Accounting for Accrued Annual Leave of Current Employees. The accounting treatment of annual leave within a WCF differs from that of an appropriated fund. In an appropriated fund, the accrual of annual leave is unfunded. However, as required by the NASA WCF appropriation language and OMB Circular A-11, “Preparation, Submission and Execution of the Budget,” the accrual of annual leave within the NASA WCF is funded. Therefore, the rate charged by a WCF business entity to its customers will include an amount

estimated sufficient to fund accrued annual leave. The accounting entry to record this transaction within the NASA WCF is similar to the entry for payroll accruals prescribed for appropriated fund activities. The difference is that because accrued annual leave is funded (through customer rates), the accrual is recorded as a funded transaction versus unfunded. The accounting entries to record this transaction can be found in Appendix 4, Section B.1. of this chapter.

D. Accounting for Accrued Annual Leave of Terminated Employees. Employees terminate service when they leave (e.g., retire from) federal government service. When an employee terminates service, he/she is paid for accrued annual leave. It is only at this point that an obligation for annual leave payable is recorded in addition to the normal payroll accrual obligation. The accounting entries to record this transaction can be found in Appendix 4, Section B.2. of this chapter.

E. Accounting for Accrued Annual Leave of Transferred Employees. Personnel assigned from an appropriated fund activity to a WCF business entity generally are accompanied by a liability for the amount of accrued earnings and annual leave earned by those employees prior to their transfer. Ordinarily, payment in the form of cash or other agreed upon equivalent assets such as operating materials and supplies or equipment should be made to the receiving WCF business entity for the amount of the liabilities assumed. However, in some cases, a full payment for liabilities assumed of transferred personnel may not be received. The accounting entries to record this transaction can be found in Appendix 4, Section B.3. of this chapter.

F. Amortization of Unfunded Annual Leave. A WCF business entity that does not receive payment from the transferor appropriation to cover the leave liability of civil service employees capitalized into the WCF must include an amount in its rates to fund the unfunded liability. Ordinarily, the leave liability transferred into the fund will be amortized over five years and charged as a WCF operating expense; however, depending upon how a five-year amortization affects customer rates, a WCF business entity may request a longer or shorter amortization period from the NASA CFO. The accounting entries to record this transaction can be found in Appendix 4, Section B.4. of this chapter.

010405. Appropriation. NASA did not receive a cash corpus to begin initial operations. However, NASA may request an appropriation of funds (to account 80X4546) in its Working Capital Fund activity's President's budget submission to Congress to supplement its resources when the level of anticipated cash available is estimated to be insufficient at any time throughout the year of budget execution for the WCF activity to remain solvent and to be able to pay for its operating and capital budget requirements.

0105 RESPONSIBILITY OF THE NASA WCF AND ITS CUSTOMERS

010501. Requests for service (customer orders) from a customer organization to a providing WCF business entity shall be considered a binding contractual agreement by both

parties upon acceptance. WCF business entities must be prepared to perform customer orders in the quality, quantity, time, and price agreed upon.

010502. Customers wishing to terminate a previously ordered service should notify the WCF business entity manager as early as possible. The customer is liable for funding all costs associated with service delivery until termination, and may be held liable for part or all of any other termination costs incurred by the WCF business entities.

010503. The WCF business entity manager should require a 30-day minimum advance notice for all service terminations to allow sufficient time to evaluate its impact on the service and other customers. The WCF business entity manager should advise NASA CFO of adverse impacts on the fiscal integrity of the WCF. The NASA CFO may raise the issue to the WCF Corporate Board for its review and consideration of the termination request. The WCF Corporate Board will review the situation and determine if the failure to purchase the service causes the WCF business entity to experience a significant loss and recommend a position on the termination request to the Center CFO.

010504. Customers may re-enter the NASA WCF for a previously departed service(s). The timing of re-entry may be restricted by the WCF business entity based on its ability to absorb the additional workload and the effect on its budget. Often, re-entry may be delayed until the commencement of a subsequent fiscal year to ensure that customer orders are in place and that the funds are properly programmed in the NASA budget.

0106 RESPONSIBILITIES OF MANAGEMENT

010601. The CFO or Designee of NASA Shall:

- A. Establish Agency policy on NASA WCF operations.
- B. Provide oversight on all financial management activities relative to the operations of the NASA WCF.
- C. Authorize or approve NASA WCF Charters of specific business entities to be included in the NASA WCF, as well as, the terms under which such business entities shall operate.
- D. Rescind the NASA WCF Charters of specific business entities that no longer meet NASA WCF criteria or that may be operated more efficiently under other financing.
- E. Establish procedures ensuring that NASA WCF financial policies are implemented.
- F. Exercise oversight with regards to WCF financial management and financial operations and recommend policy additions and changes to the NASA CFO.

G. Develop financial reports to satisfy informational requirements of NASA as a whole, and WCF management specifically.

H. Advise NASA Headquarters, Center, and WCF managers on the accounting and reporting policies used in the NASA WCF.

I. Issue WCF instructions when necessary to provide for unique requirements within a WCF business entity and to provide detailed operating instructions.

J. Monitor compliance with this guidance and other policy issuances through analysis of reports, audits, and reviews of business entity operations.

010602. The Director of Financial Management Shall:

A. Advise the NASA CFO on necessary accounting, and reporting policies.

B. Advise and assist the Agency CFO in the development of policies, requirements, systems, procedures, and practices to comply with statutory and regulatory requirements.

C. Review NASA WCF accounting systems for compliance with established financial systems requirements.

D. Advise the NASA Centers and WCF managers on the accounting and reporting procedures and systems used in the NASA WCF.

E. Prepare external and internal accounting reports for the NASA WCF.

010603. The Comptroller Shall:

A. Advise the NASA CFO on WCF budgetary issues.

B. Review and approve operating and capital budgets and monitor execution of the budget and analyze the results thereof.

C. Provide WCF operations oversight through budget execution reviews of reimbursements and outlays.

010604. NASA Officials in Charge of Headquarters Offices and The Directors of NASA Centers or Their Designees Who Have Business Entities Financed Under The NASA WCF Shall:

A. Assure that NASA WCF business entities operate within approved funding limitations.

B. Assign responsibility and authority to designated officials for management and operation of NASA WCF business entities.

C. Ensure that applicants to the NASA WCF are appropriate for the WCF and submit proposed charters to the NASA CFO to authorize new NASA WCF business entities or recommend rescission of charters of existing NASA WCF business entities.

010605. The Management of a NASA WCF Business Entity Shall:

A. Comply with and recommend changes to this and other governing regulations.

B. Provide periodic financial and management information as required by the NASA CFO.

C. Develop business entity specific WCF implementation policies and procedures.

D. Document and maintain records on information used to establish rates and prices, as well as specific methods used to determine them.

E. Incur obligations and costs as necessary and allowable to perform the business entity mission.

F. Control costs in line with the annual operating budget as approved by the NASA CFO.

G. Identify to higher management any impediments to achievement of the business entity's planned performance and cost goals.

H. Identify and justify to higher management those investments that will produce future improvements in effectiveness and efficiency.

I. Initiate change, as needed, to the charter of the WCF business entity as well as annual charter renewals.

J. Measure performance in quantitative and qualitative terms as deemed useful and as prescribed by the NASA CFO.

K. Continually ensure that processes, procedures, policies, etc. will improve customer satisfaction through increased quality, decreased cost, quicker delivery, etc.

0107 FINANCIAL RESOURCE MANAGEMENT

010701. Funds Management

A. Financial resources to establish the working capital fund and to permit continuing operations are generated by reimbursements received in advance for goods provided or services performed by the NASA WCF. A budgetary resource, that is immediately available for outlay even though the outlay may not occur until a future date, must support all NASA WCF obligations. A sufficient fund balance with the Treasury must support all NASA WCF cash outlays.

B. Anti-Deficiency Act

1. The Anti-Deficiency Act shall apply to the NASA WCF at the Treasury account level, i.e., 80X4546 rather than at a lower level such as NASA Center or WCF business entity. The Anti-Deficiency Act consists of provisions of law that were passed by Congress (beginning in the nineteenth century and later incorporated into Title 31 of the United States Code) to prevent departments and agencies from spending their entire appropriations during the first few months of the year. The Act prohibits any Federal employee from:

a. Entering into contracts that exceed the enacted appropriations for the year.

b. Purchasing services and merchandise before appropriations are enacted.

2. The Act:

a. Requires that the OMB apportion the appropriations, that is, approve a plan that spreads out spending over the fiscal period for which the funds were made available.

b. Establishes penalties for Antideficiency Act violations. Violations are obligations or expenditures in excess of the lower of the amount in the affected account, the amount apportioned, or the amount allotted.

c. Requires the agency head to report any Antideficiency Act violations to the President, through the OMB Director, and Congress.

3. Under the Act, if you obligate or expend more than the amount apportioned or any other subdivision of funds, you will be subject to appropriate administrative discipline, including - when circumstances warrant - a written reprimand, suspension from duty without pay, or removal from office. In addition, if you are convicted of willfully and knowingly over obligating or over expending the amount, then you shall be fined not more than \$5,000, imprisoned for not more than 2 years, or both.

C. Restrictions on Use of Customer Appropriations. Statutory limitations and restrictions imposed on the appropriated funds of a NASA WCF customer are not changed when the customer places an order with the NASA WCF. A NASA WCF customer cannot use its

appropriated funds to do indirectly, i.e., through placement of an order with a NASA WCF business entity, what it is not permitted to do directly. Thus, the availability of an appropriation cannot be expanded or otherwise changed by transfer to the NASA WCF. Appropriated funds cited on customer orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The customer is primarily responsible for the determination of the applicability of the ordering appropriation. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the order should be returned with a request for an applicable appropriation cite.

010702. Stabilized Price and Rate Management

A. The NASA WCF business entities operate on a break-even basis. Customer prices and rates shall be established on an end product basis whenever feasible. The term “end product” means the good or service requested by the customer (output) rather than processes or other inputs in the achievement of the requested output (for example, the product requested rather than the direct labor hours expended in the achievement of that product).

B. Prices and rates are required to be established during the budget process at levels estimated to recover the budgeted cost of goods or services to be provided, prior period gains and losses occurring as a result of variations in program execution, as well as, approved surcharges for capital asset acquisition and other Center CFO approved purposes. The budget process is the mechanism used to ensure that adequate resources are budgeted in the customer’s appropriated fund accounts to pay the established prices and rates.

C. Private parties and concerns when authorized by law including foreign governments, state and local governments shall reimburse the NASA WCF for the full costs incurred by the federal government. Full costs for foreign governments, state and local government, and private party sales shall include unfunded costs that are not charged to the NASA or other federal government customers (such as unfunded civilian retirement and postretirement health benefits cost). NASA shall not retain amounts collected for unfunded civilian retirement and postretirement health benefits costs, rather, such amounts shall be credited to the general fund of the Treasury as miscellaneous receipts.

D. Prices and rates shall remain stabilized for the entire fiscal year except that the NASA CFO may, upon request of a WCF business entity, authorize a change in the price or rate schedule during a fiscal year.

010703. Cash Management

A. The cash management policy is to maintain the minimum cash balance necessary to meet both operational requirements and disbursement requirements in support of the capital program. Cash generated from operations is the primary means of maintaining adequate cash levels. The ability to generate sufficient cash is dependent on setting rates to recover full costs to include prior year losses; accurately projecting workload; and meeting established operational goals.

B. Any transfers of cash between NASA WCF business entities will not be made without prior consultation with and approval of the NASA CFO.

C. WCF business entities shall justify their cash level but, ordinarily, should maintain at least 30 days of operational cost plus cash adequate to meet six months of capital disbursements. Cash levels will be calculated using the following formula: Total operating budget disbursements for a fiscal year divided by either 260 or 261 available workdays in a fiscal year multiplied by the number of days cash desired. This amount is then added to the projected disbursements for six months of Capital Investment Program Outlays.

D. To facilitate the cash management process, WCF business entities will develop a cash plan that include a monthly phasing of estimated collections, disbursements, appropriations, and other cash transactions. This annual cash plan will be initially developed during the budget process and will be an integral part of the budget document. The cash plans should lead to increased management attention and result in reduced costs, and timely billings, collections, and disbursements. The cash plan will be used to compare actual cash to plan cash during budget execution. The cash plan will be provided to NASA CFO at the beginning of each quarter.

010704. Revenue Recognition. The percentage of completion method shall be used by all WCF business entities for recognizing revenue and costs on all customer orders. Under this method, the revenue earned and associated costs incurred on an order will be recognized at least monthly. Revenue and costs must be recognized in the same accounting period. The amount of revenue recognized cannot exceed the amount specified in the customer order.

010705. Full Cost Management. The objective of NASA full cost management is to allocate all NASA costs to major activities and thereby enhance cost-effective mission performance by providing managers with information on infrastructure costs, and their relationship to projects to better support plans and decisions. Under the full cost approach all costs will be allocated to projects. See Volume 7, Cost Management of this regulation, for details regarding full cost management.

0101706. Net Operating Results (NOR). The NOR provides the overall net operating results expected to be achieved in the WCF by the end of the year. The NOR provides a primary financial management goal and will be used in conjunction with other performance measures to assess the overall operational effectiveness of the business entity. NOR is the net of revenues, expenses, gains and losses of the current fiscal year.

0108 ACCOUNTING STANDARDS

010801. Federal Government Accounting Principles and Standards

A. The Secretary of the Treasury, the Director of OMB, and the Comptroller General of the U.S. ("the Principals") established the Federal Accounting Standards Advisory

Board (FASAB) in October 1990 by a memorandum of understanding. The role of the FASAB is to deliberate upon accounting principles and standards for the federal government and its Executive Branch agencies and to forward final standards to the Principals for a 90-day review period. Following the 90-day review period, the FASAB issues a Statement of Federal Financial Accounting Standards (SFFAS). The SFFASs shall be considered generally accepted accounting principles (GAAP) for federal agencies. Agencies shall apply the SFFASs in preparing financial statements in accordance with the requirements of the CFO Act of 1990. Auditors shall consider SFFASs as authoritative references when auditing financial statements.

B. The SFFASs shall have no effect on the manner in which federal agencies budget for, monitor and control the expenditure of budgetary resources. Those requirements are defined in OMB Circular A-11 and other OMB documents. However, financial statements and budgetary reports are interrelated and are integral to the NASA financial management system. Balances reported in financial statements and budget execution reports should agree with each other and, if not, the differences must be reconciled.

010802. Hierarchy of Accounting Standards. The SFFASs represent GAAP for the federal government. However, NASA may engage in transactions that are not addressed by those standards. In those instances, a hierarchy of accounting standards must be followed. In October 1999, the American Institute of Certified Public Accountants (AICPA) through Statement on Auditing Standards (SAS) No. 69, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles in the Independent Auditors Report, as amended by SAS No. 91, Federal GAAP Hierarchy, established a hierarchy of accounting principles for federal governmental entities. Following is the [listing published by the Federal Accounting Standards Advisory Board](#), in priority sequence, of sources that an entity should look to for accounting and reporting guidance:

Hierarchy of Accounting Standards	
A.	FASAB Statements and Interpretations of those Statements plus AICPA and Financial Accounting Standards Board pronouncements if made applicable to federal governmental entities by a FASAB Statement or Interpretation.
B.	FASAB Technical Bulletins, AICPA Industry Audit and Accounting Guides, and AICPA Statements of Position if specifically made applicable to federal governmental entities by the AICPA and cleared by the FASAB.
C.	AICPA Accounting Standards Executive Committee Practice Bulletins if specifically made applicable to federal governmental entities and cleared by the FASAB and Technical Releases of the Accounting and Auditing Policy Committee of the FASAB.
D.	Implementation guides published by the FASAB staff and practices that are widely recognized and prevalent in the federal government.

010803. Interpretation of SFFAS. A NASA WCF business entity desiring an interpretation of a federal government GAAP shall request such interpretation from the Agency

CFO, Director of Financial Management. The Director of Financial Management shall respond to that request or, if necessary, forward the interpretation request to the Office of Federal Financial Management, OMB. In accordance with OMB Circular A-134, "Financial Accounting Principles and Standards," the OMB may respond to the request either by providing technical assistance or through issuance of an Interpretation of Federal Financial Accounting Standards, which is a document of narrow scope that provides clarifications of original meaning, additional definitions, or other guidance pertaining to an existing SFFAS. If the OMB decides an Interpretation of Federal Financial Accounting Standards is necessary, the OMB Circular A-134 directs the OMB to: (1) provide written copies of the request to the Comptroller General and the Secretary of the Treasury; (2) examine, as appropriate, applicable literature and consult with knowledgeable persons; (3) draft an Interpretation of Federal Financial Accounting Standards; (4) obtain the consensus of Treasury and the GAO on the interpretation; and (5) publish the Interpretation of Federal Financial Accounting Standards.

010804. Basic Accounting System Requirements. The following laws, regulations, and OMB Circulars set forth the basic accounting system requirements of the NASA WCF:

A. Federal Managers Financial Integrity Act (FMFIA) of 1982. The internet link is: [FMFIA of 1982](#). The purpose of the FMFIA is to require Federal agencies to establish internal accounting and administrative controls to: (a) prevent waste or misuse of agency funds or property; and (b) assure the accountability of assets.

B. CFO Act of 1990, as amended. The internet link is: [CFO Act of 1990](#). The purpose of this act is to:

1. Improvement, in each agency of the Federal government, the accounting, financial management, and internal control systems to assure reliable financial information and to deter fraud, waste, and abuse of government resources.

2. Ensure that complete, reliable, timely, and consistent financial information is used by the executive branch of the government and the Congress in the financing, management, and evaluation of federal programs.

C. Government Management Reform Act (GMRA) of 1994. The internet link is: [GMRA of 1994](#). The Act amends the requirements of the CFO Act of 1990 by requiring yearly audited financial statements from 24 of the largest executive agencies (including the NASA) and the preparation and audit of a government-wide financial statement. It also requires that statements are prepared in accordance with OMB's Form and Content Bulletin in effect for the period covered by the financial statements.

D. Federal Financial Management Improvement Act (FFMIA) of 1996. The internet link is: [FFMIA of 1996](#) and then go to Title VIII (page 390). The act requires all Federal financial management systems comply with Federal financial management system requirements, SFFAS, and the United States Standard General Ledger (USSGL) in order to provide uniform, reliable, and more useful financial information.

E. OMB Circular A-127, Financial Management Systems, dated July 23, 1993. The internet link is: [OMB Circular A-127](#). The purpose of OMB Circular A-127 is to establish policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems.

F. Treasury Financial Manual (TFM), Part 1, Chapter 2000. The internet link is: [TFM Chapter 2000](#). Chapter 2000 of the TFM instructs new Federal entities to establish basic fiscal operations prescribed by the Department of the Treasury's (Treasury's) Financial Management Service (FMS), and the OMB.

010805. General Ledger Accounts

A. The USSGL shall be used by NASA WCF business entities to record budgetary and proprietary accounting transactions on a double-entry basis. Volume 1, Chapter 9220, General Ledger, of the TFM provides guidance on the use of the USSGL. The USSGL is composed of five major sections: (1) Chart of Accounts, (2) Account Descriptions, (3) Accounting Transactions, (4) USSGL Attributes, and (5) Crosswalks to Standard External Reports.

B. The USSGL attributes are one component of detailed data in agency financial systems related to the external reporting financial statements. Each USSGL account has associated attributes related to external financial reporting. Examples of attributes are: (1) Federal/Nonfederal, (2) Trading Partner, (3) Exchange/Nonexchange, (4) Budget Functional Classification, and (5) Custodial/Noncustodial. While the preceding are examples of attributes, it is not an exhaustive list of attributes required by NASA to adequately prepare its financial statements.

C. The Director of Financial Management will develop and maintain the general ledger attributes for both internal and external NASA reporting requirements to include appropriated funds and working capital funds. This shall ensure consistency in the application of those attributes within NASA. In other words, an attribute shall have a common meaning wherever it is used.

0109 ACCOUNTING APPLICATIONS

010901. Accounting Requirement. The NASA WCF is required to account for its financial operations in accordance with all accounting principles and policies applicable to the Federal government unless specifically exempted. The sources and hierarchy of the accounting requirements are identified in Volume 6 of this regulation.

010902. Recording Anticipated Reimbursements. Effective 1 October of each fiscal year and based upon the approved budget, each NASA WCF business entity shall record its anticipated reimbursements for the fiscal year. The value recorded as anticipated reimbursements is an estimate of the annual dollar volume of business expected. Each customer order accepted reduces anticipated reimbursements dollar for dollar. At fiscal year end, any

remaining balance of anticipated reimbursements is reduced to zero. Although entry of the anticipated reimbursements involves the use of budgetary accounts, it does not provide budgetary resources available for obligation. Budgetary resources are not available until customer orders are received and accepted. The accounting entries to record this transaction can be found in Appendix 4, Section C.1. of this chapter.

010903. Acceptance of Customer Orders

A. All customer orders accepted by a WCF business entity shall be in writing and shall call for specific goods, work or services. Each WCF business entity shall record promptly all customer orders accepted and shall account for the status of all orders in terms of deliveries, billings, and unfilled balances.

B. Customer orders (funded requests for goods or services) create a binding contractual relationship between a NASA WCF business entity and its customer upon acceptance. Acceptance of a customer order requires that the performing business entity agree to perform the work for the customer entity. Customer orders also provide the budgetary and cash resources necessary to finance operations. The accounting entries to record this transaction can be found in Appendix 4, Section C.2. of this chapter.

010904. Revenue Recognition and Reimbursements

A. A NASA WCF business entity shall bill its customers and recognize revenue at least monthly. The customer funding an order shall be billed for the revenue recognized, or when advance payments have been received, those advances shall be transferred to the appropriate revenue account. In no case shall the total amount of revenue recognized and billed exceed the amount of the customer order. A bill serves multiple purposes. First, it is the source document for use by the customer as a basis of recording cost information. Second, it is the source document for use by the performing WCF business entity to recognize and record revenue.

B. When a WCF business entity receives reimbursement in advance of performance, a bill must be prepared on a monthly basis so that costing information is available to the customer and revenue information is available to the WCF business entity for use in preparing monthly financial reports.

C. When a WCF business entity is reimbursed upon, rather than before, performance, billing may be more frequent, depending primarily on the cash needs of the WCF business entity, but never less frequent than monthly.

D. The WCF business entity's billing is based upon the price or rate for the good or service provided. The billing amount is not based upon the cost incurred by the performing NASA WCF business entity for the provided service. The price or rate is an amount established prior to performance that is deemed adequate to recover costs and working capital needs of the performing WCF business entity. Unless specifically approved by the NASA CFO, all WCF reimbursements should be received in

advance of performance. The accounting entries to record this transaction can be found in Appendix 4, Section C.3. of this chapter.

010905. Capitalization Criteria

A. The NASA asset capitalization threshold is \$100,000 for items other than software. The NASA capitalization threshold for software is \$1,000,000. In addition to the dollar threshold, items must have a useful life of two years or greater in order to meet the capitalization criteria. Capital assets include property, plant, equipment, and software developed, manufactured, transferred or acquired that meet the capitalization criteria. See Volume 6, Chapter 4 of this Regulation for the capitalization criteria.

B. Once assets are capitalized by a WCF business entity, they will continue to be reported as a capital asset and depreciated until the book value of the asset reaches zero or its salvage value, as appropriate. Changes in the capitalization threshold will not impact assets already capitalized unless directed by higher authority. WCF assets will be funded through the capital budget and their costs will be depreciated according to depreciation schedules found in the following table.

NASA RECOVERY PERIODS FOR DEPRECIABLE CAPITAL ASSETS

Description of Capital Assets	Recovery Period
General Purpose Vehicles (Includes Heavy Duty Trucks and Buses); ADP Systems and Hardware (Computers and Peripherals); Equipment used in Research, Development, Test and Evaluation (RDT&E); and Software Improvements to 5-Year Recovery Period Property (Personal Property)	5 Years*
All Other Equipment, Machinery and Software**	10 Years
Improvements to 20-Year Recovery Period Property	
Fences, Roads, Bridges, Towers, Ships and Other Real Property Structures.	20 Years
Improvements to 40-Year Recovery Period Property	
Buildings, Hangers, Warehouses, Air Traffic Control Towers, and Other Real Property Buildings	40 Years
Improvements to Leased Buildings and Other Real Property (Leasehold Improvements)	Remainder of Lease Period or 20 Years Whichever Is Less
Land Rights of Limited Duration	Over the Specified Duration

* For items in the 5-year category, a recovery period of less than 5 years is permitted if the useful life of the asset is at least two but less than 5 years. The WCF business entity must document the reasons for the shorter useful life and may not change the recovery period once depreciation has been started. In such circumstances, the recovery period shall be the known useful life (2-4 years, as appropriate).

** Depending on the nature of the software, it may be depreciated over a period of less than 5 years or 10 years. The determining factor should be the actual estimated useful life of the software consistent with that used for planning the software's acquisition.

010906. Depreciation of Capital Assets

A. The purpose of asset depreciation is to record a decrease in value of property through wear, deterioration, or obsolescence. Depreciation is therefore the recognition of an expense in the current period for an outlay that occurred in a previous period. Thus, depreciation expense recovery (through inclusion in stabilized rates or prices) results in a cash accumulation that can be used to acquire assets to replace those wearing out. Recovery of depreciation expense is the primary financing source for the NASA WCF capital investments .

B. Depreciation of capital equipment will be fully reflected in the operating costs and rates of WCF business entities. However, it is possible that at times depreciation expense recovery may not, by itself, be sufficient to finance the desired capital investment program. In those instances and if approved by the NASA CFO, an additional element may be added to the stabilized rates/prices to finance the incremental difference. That additional element is termed a "Capital Surcharge." It is important to note that capital surcharge is not an expense. The stabilized billing rate/price, when billed, is recorded as revenue. Since there is no counteracting expense for a capital surcharge, it should result in a positive Net Operating Result. It is important to remember that the capital surcharge collection will not be returned to customers through a lower stabilized rate/price in subsequent fiscal years.

C. Depreciation expenses shall be calculated and accumulated using the straight-line method. The depreciation amount for the period is the capitalized amount less residual value, and divided by the number of periods in the item's estimated useful life. The table below identifies the useful life span of different categories of WCF capitalized assets. Residual value will be used in the calculation only if it exceeds 10% of the cost of the asset. Additional information relating to depreciation of NASA capital assets may be found in Volume 6, Chapter 4 of this Regulation.

D. The accounting entries to record the purchase and depreciation of capital assets purchased through expenditure of resources available to the WCF can be found in Appendix 4, Section D.1. of this chapter

E. Depreciation of capital assets, that are transferred into a WCF business entity without reimbursement that have preexisting depreciation schedules and accumulated depreciation, shall be based on the remaining book value plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use. The accounting entries to record capital asset transfers can be found in Appendix 4, Section D.2. of this chapter.

F. Depreciation of capital assets, that are transferred into a WCF business entity without reimbursement that have no preexisting depreciation schedules or accumulated

depreciation, shall be calculated based on the net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use.

0110 BUDGET DEVELOPMENT

011001. Budget Overview. Annual budgets to OMB and to Congress for each NASA WCF business entity provide official management cost goals for each business entity. See Volume 4 and Volume 5 of this Regulation for details regarding budget formulation, presentation and budget execution. A business entity budget consists of two primary parts--the operating budget and the capital budget. The operating budget represents the annual operating costs of a business entity.

011002. Operating Budget. The operating budget contains the annual operating costs of NASA WCF business entity, including depreciation or amortization expenses. To minimize costs, all goods and services should be purchased, whenever possible, from the source that provides them the least total cost, unless there are other considerations that prohibit this flexibility. Of course, the performance and quality of the source must be considered as well.

011003. Capital Budget

A. The capital budget represents the amount of financial resources that are authorized for use in the acquisition of capital assets. A capital budget shall not be used to establish a new or expanded organic capability except as specifically approved in a capital budget. All assets acquired for use by a WCF business entity shall be financed through the NASA WCF. Funds to acquire assets shall normally be obtained from prices or rates, which may include a capital surcharge and/or depreciation expense charged to customers.

B. Resources needed to finance WCF capital assets shall be derived primarily from the recovery of depreciation of existing NASA WCF assets. The estimated depreciation expense shall be included in stabilized prices and rates billed to NASA WCF customers. A capital surcharge should also be included in the rates when the available cash resulting from the depreciation charges will not equal the approved capital investment budget. Each proposed acquisition of an asset shall be reviewed to ensure that it satisfies all of the following criteria:

1. It is more economically feasible to purchase rather than to lease the capital asset. While leasing is not a part of the capital purchases program, it may be appropriate for areas of fast changing technology or when workloads are expected to cease before the end of the program or payback period. Leasing also may be used as a means of obtaining near-term benefits from productivity improvement opportunities until sufficient data to verify the benefits of procurement can be developed.

2. The acquisition of a capital asset will satisfy a need for capability to perform valid operations, functions, or services that cannot be performed as effectively or economically by the use of existing equipment and facilities or by contract.

3. Capital assets recommended for acquisition shall be those deemed to most efficiently and effectively accomplish the objective for which they are justified. The criteria are: improved efficiency (savings) or effectiveness; required new capability and capacity that cannot be met with current equipment and facilities; replacement of unsafe (locally determined), beyond economical repair, or inoperative and unusable assets; and environmental, hazardous waste reduction, or regulatory agency (state, local, or federal) mandated requirements.

0111 AUDITING

Under the provisions of Title 31, United States Code, Section 3515, NASA is required to prepare audited financial statements covering all its accounts and associated activities including the NASA WCF. The NASA WCF business entities are subject to audit by the NASA Inspector General, by the GAO, and by other parties when contracted or otherwise authorized. Copies of audit reports shall be submitted to the CFO.

0112 NASA WCF FINANCIAL STATEMENTS

The NASA WCF is required to produce quarterly financial statements. The statements will be audited annually and included in NASA's Annual Performance and Accountability Report. Volumes 8, "External Reporting" and Volume 9, "General Management Reporting" of this requirement will identify recurring reporting requirements applicable to the WCF. However, a WCF may develop financial reports specifically designed to assist in management of a WCF business entity. Appendix 5 to this chapter lists financial reports that are currently available from IFMP/Core Financial and the Business Warehouse (BW).

CHAPTER 1**APPENDIX 1****BUSINESS CASE DEVELOPMENT INSTRUCTIONS FOR NATIONAL
AERONAUTICS AND SPACE ADMINISTRATION
WORKING CAPITAL FUND CANDIDATES**

A. Introduction. Use of the National Aeronautics and Space Administration (NASA) Working Capital Fund (WCF) presents organizations with the ability to finance operations in a manner more consistent with commercial best practices. It allows more flexibility in operational planning, procurement, and customer relationship management. However, before an organization converts its funding source from appropriated to working capital funds, it must ensure business viability and prepare for the transition to the WCF. This appendix provides a framework for candidate organizations to perform financial and operational analysis and to develop the required business case analysis document.

B. Scope and Applicability of Instructions. All WCF candidate organizations are required to develop a business case that complies with these instructions as part of the evaluation process. These instructions apply to all applicants applying for inclusion in the NASA WCF.

C. Role of the Business Case

1. The Business Case Serves Two Primary Roles:

a. Ensures candidate organizations understand and can quantify both the risks and benefits associated with transitioning to the NASA WCF.

b. Provides the NASA WCF managers with sufficient information to make an appropriate decision on whether the candidate should ultimately be included in the WCF.

2. In completing the business case, it is helpful to think of the candidate organization as a private company seeking investment funding. The business case should provide sufficient information to allow a third party to decide whether or not to invest funds in the venture.

D. Business Case Development and Review Process. This section presents a recommended process for developing, reviewing, and submitting the business case. As shown in the figure below, the process is composed of three phases:

Data Collection and Analysis	Report Development and Submission	Review and Decision
<ul style="list-style-type: none"> • Form study team • Collect historical organizational, financial and operational data • Develop go-to-market strategy • Develop production and financial forecasts • Identify transition risks and develop risk mitigation strategy • Document rationale for inclusion in the WCF, identifying and quantifying benefits • Identify cost savings and complete payback analysis 	<ul style="list-style-type: none"> • Develop draft business case report that complies with instructions • Perform internal assessment • Revise document as necessary • Submit to WCF Management Team for Review 	<ul style="list-style-type: none"> • Respond to questions from WCF Management Team • Make adjustments to business case document as needed • Take corrective actions to address deficiencies identified during analysis or review by WCF Management Team • Resubmit business case for final decision

1. Data Collection and Analysis

a. During the first phase of business case development, the candidate organization's leadership must appoint a study team that will be responsible for all facets of business case development. The team will be the focal point for all matters related to collecting background data, performing financial and operational analysis, developing the report, and responding to questions from the WCF Management Team. The team will spend a large portion of time assembling or generating historical organizational, financial, and operational data that describes the past performance of the candidate organization. This material may include:

- Strategic plans
- Staffing plans
- Financial statements
- Accounting Reports
- Organizational Mission/Charters
- Cost reports
- Production statistics
- Market analysis
- Budget Data
- Process Flow Charts

b. One thing to consider during this collection process is how readily available is the data. Much of this data will be needed to perform the day-to-day management of the organization once admitted to the WCF. If the data is unavailable, unreliable, or difficult to collect, the study team should include a plan to improve these conditions as part of the business case.

c. The team will develop a "go-to-market" strategy that will address how the organization will identify and service customers, what its growth strategy is, and how it will

compete with other available alternatives. This strategy will include an assessment of the competitive environment of the goods and services the organization provides (or plans to provide). The strategy should also include any plans to expand the business after admission to the WCF, along with a rationale for making the change.

d. The team must also develop production and financial forecasts to assess the demand for the organization's goods and services. This assessment should take into account the market environment and competitive forces and their impact on future sales

e. Any organizational change involves some degree of risk. Transiting into the WCF generally carries financial and operational risk. The study team must identify transition risks and develop a risk mitigation strategy to address each risk area.

f. Finally, the team must define and quantify the value proposition for transitioning the organization into the WCF. Specifically, describe the reasons why the organization should transition, including anticipated cost savings and payback.

2. Report Development and Submission. Once the team has completed the necessary analysis, it must prepare the business case document, complying with these instructions. Once the document has been drafted, NASA Headquarters functional proponent should review it to ensure its completeness and that it adequately substantiates a value proposition as a viable WCF candidate. It is critical that the candidate's leadership is in total agreement with the business case and supportive of the analysis. Upon completion of recommended revisions and program manager approval, the final document should be forwarded to the NASA Office of the CFO for review and comment.

3. Review and Decision. In the final phase of the development process, the candidate's leadership and project team should be available to respond to questions from the WCF Management Team. They may be required to formally present the business case. They may also be required to make adjustments to the business case document as needed and take corrective actions to address deficiencies identified during analysis or review by WCF Management Team. If necessary, they will resubmit the business case for final decision.

E. Timeline and Resource Commitment. This process requires significant time and resource commitment, it is important that a candidate perform adequate due diligence prior to admission to the WCF to avoid financial or operational problems.

F. Business Case Document Outline. The format and content of the business case document is intended to be flexible to allow for the wide variety of organizations that will apply for inclusion in the WCF, as well as allow for creativity on the part of the candidate organizations. However, all business case documents must contain a common core analysis

1. Required Sections. The following sections must be included in all business case submissions. While the section itself is required, the scope and depth of content are largely at the discretion of the candidate organization. It is important that the business case contain a complete and accurate picture of the rationale and supporting data for transferring the

organization into the WCF. Therefore, the candidate's study team should make the most compelling case possible.

a. Purpose. This section serves as an introduction for the entire business case document. It should include a purpose statement and summary of the document.

b. Organizational Description. This section should include an in-depth description of the candidate organization. It should include the organization's mission, structure, and a description of the goods and services the organization provides. It should also include a description of operating locations and facilities and unique features of the organization and operation that are unique from other government or competitive organizations. It should also include any pertinent statutory requirements that impact operations or that mandate a transition to the WCF.

c. Competitive Environment. This section should include a thorough assessment of the organization's competitive environment for the goods and services it provides. If there are no commercial or government alternatives, state so. This section should include not only competitive prices, but also a characterization of the marketplace including how customers make buying decisions, typical order sizes, and factors impacting competitive advantage. Furthermore, this section should include a go-to-market strategy that addresses how the organization identifies and services customers, what its growth strategy is, and how it will compete with other available alternatives.

d. Annual Financial Information. This section should include at least the last 3 years of financial data. This will most likely be extracted from annual financial reports or any other accounting and financial information that is available. In addition, this section may or may not provide the same level of information that is reflected in the NASA audited financial statements since the candidate organization may not be required to produce this information at this time (Note: the financial data in the attached example business case does not use the prescribed OMB format adopted by NASA). The section should also include budget projections along with a description of the program base and anticipated enhancements in the coming years as a result of transferring to the WCF. If the organization utilizes physical assets in production, characterize the degree to which the assets are fixed or variable. Also include the amount of cash on hand (advance funding) to fund the transition to the WCF. This information is relevant because no cash corpus was provided to NASA to fund the transition to the NASA WCF. The information should be sufficient for the evaluation team to understand the cost of operations, how the funds are spent, revenue (if reimbursed), and what is planned in the coming years.

e. Annual Production Statistics. This section should include production data for the goods and services produced by the organization. One of the key requirements for a WCF organization is the ability to forecast production and revenue in order to set pricing and size production capacity. The study team should spend an appropriate amount of time developing these statistics and the collection methodology to ensure the organization can adequately meet this requirement.

f. Rationale for Inclusion in the WCF. This section contains the fundamental reasons why the organization is a good fit for the WCF. It should factor in all the qualitative and quantitative benefits the organization and NASA will gain from transferring to the WCF. It should include a characterization of the improvements in cost, quality, and cycle time in meeting customer demands. It should also include a discussion of the capital improvements or enhancements that will be funded once the organization is admitted to the WCF. It should include a description of how the organization meets the following selection criteria:

(1) Must possess the capability to produce one or more goods or services that are needed on a recurring and relatively predictable basis within NASA and/or other federal government entities or other sources.

(2) Operation as a NASA WCF business area will result in a better product/service and/or decreased costs to the federal government.

(3) Demand for goods or services must be from multiple customers within the NASA and/or other federal government entities or other sources.

(4) Must use “Full Cost” methodology to identify costs of goods and services.

(5) Must possess the capability to charge prices or rates that approximate the full costs of the provided goods and services.

g. Estimated Transition Costs. This section should include a complete assessment of the cost required to transition to the WCF. It should include the costs of process changes, transition planning, training, and information technology changes required to integrate operations into the WCF. The analysis should also include a time dimension to indicate when the costs will be incurred. Some costs will be one-time only (e.g. transition training), while others will be recurring (e.g. software and hardware maintenance). This section provides data for the first half of the payback analysis. The next section, cost savings, provides the rest of the required data.

h. Estimated Cost Savings. This section should include an assessment of the cost savings that may be generated by the transition to the WCF. As was the case with transition costs, this information should have a time dimension to show both the immediate and recurring savings. The section should also include a description of how the savings will be generated. Recall that savings may be generated by process efficiencies, better asset leverage from economies of scale, strategic sourcing, better funds management (e.g. no end-of-year spending drills), and effective capacity management. Short and long term savings estimates should be made for all applicable mechanisms. While cost savings is not a prerequisite for inclusion in the WCF, to the extent that use of the WCF mechanism enables cost savings and process efficiencies, the business case should reflect potential savings.

i. Other Benefits. This section should include qualitative benefits from joining the WCF. It may also include topics that have not been addressed previously that address unique features of the organization.

j. Payback Analysis

(1) As mentioned earlier, in looking at the candidate organization as a commercial enterprise, sufficient payback should be generated to warrant taking on the transition costs and risks. Financial payback is constrained by projected cost savings generated by the transition to the WCF. While cost savings are not a requirement for inclusion, transition investments should be balanced with tangible benefits (whether financial or operational).

(2) Payback analysis should include net cost savings projections (the difference between the cost savings and the transition costs) as well as a return on investment (ROI) and break-even analysis. Return on investment is defined as the profit or loss resulting from an investment transaction, usually expressed as an annual percentage return. It is calculated as follows:

$$\text{ROI} = \frac{\text{Net Cost Savings}}{\text{Net Transition Costs}}$$

(3) Return on investment is a reasonable indicator of the return per unit of investment. In developing the financial analysis for the business case, the study team may want to include other financial analysis techniques such as:

(a) Net Present Value (NPV). An approach used in capital budgeting where the present value of cash inflow is subtracted from the present value of cash outflows. NPV compares the value of a dollar today versus the value of that same dollar in the future, after taking inflation and return into account. If the NPV of a prospective project is positive, then it should be accepted. However, if it is negative, then the project probably should be rejected because cash flows are negative.

(b) Return on Assets (ROA). A useful indicator of how profitable a business is relative to its total assets. ROA is calculated by dividing annual earnings by total assets, ROA is displayed as a percentage. Sometimes this is referred to as Return on Investment.

(c) Discounted Cash Flow (DCF). A method used to estimate the attractiveness of an investment opportunity. DCF is calculated by estimating cash flows into the future and discounting them back at an appropriate interest rate.

(d) Internal Rate of Return (IRR). The IRR for an investment is the discount rate for which the total present value of future cash flows equals the cost of the investment.

(4) Each of these metrics has strengths and weaknesses in supporting investment decisions. If you are unfamiliar with the concepts and calculation approach for each metric, refer to a financial or investment analysis reference (see 3. Support Resources below). The key is to select the technique(s) that most accurately portray the financial data.

(5) In addition, to ROI, the business case document should contain a break-even analysis. Break-even analysis calculates the length of time required to recover the cost of an investment (referred to as the payback period). Payback period is usually measured in years. Obviously, the shorter the payback period, the more attractive the investment is.

k. Risk Assessment. The risk assessment should include an honest analysis of the transition risks associated with the transition to the WCF. This should include a description of the risks, a determination of the probability that key planning assumptions will not occur as planned, and a mitigation strategy for addressing each shortcoming. Typical risks include:

- (1) Longer than expected payback period.
- (2) Longer than expected transition time to new organization or only partial integration (only some Centers participate).
- (3) Lower than predicted procurement savings from strategic sourcing.
- (4) Higher than estimated transition costs.

l. Conclusion. This section should include a concluding argument for transitioning the organization to the WCF. No new information should be included here, but rather the section should summarize the case made through the whole document, emphasizing the key points.

2. Optional Material. In addition, to the material listed as required, the study team may want to include other information that provides a comprehensive view of the benefits and costs of transitioning to the WCF. This is information that will be useful in determining if the candidate organization should be selected and in understanding if it is prepared for the transition to the WCF. As with all financial analysis, the key is to be balanced and complete. Candidates should not try to sway the decision by providing only positive information. Again, one of the reasons the business case is developed is to ensure the organization can be financially and operationally viable in the WCF environment. The fact that an organization is not admitted into the WCF is not a negative reflection of the organization, but rather a function of the unique nature of operating in a WCF environment.

3. Support Resources. In developing the business case, be sure to refer to the NASA WCF web site for more support documents.

- a. NASA WCF Web Site: <http://ifmp.nasa.gov/codeb/wcf/wcf.htm>

b. Also contact the NASA WCF Project Leader or the NASA WCF Implementation team member at your respective location for support.

CHAPTER 1**APPENDIX 2****OBJECTIVES OF THE NATIONAL AERONAUTICS AND SPACE
ADMINISTRATION WORKING CAPITAL FUND**

A. The National Aeronautics and Space Administration (NASA) Working Capital Fund (WCF) is designed to:

1. Provide a more effective means for controlling the costs of goods and services produced or furnished by NASA WCF business entities, and a more effective means for financing, budgeting, and accounting for the costs thereof.
2. Create and recognize contractual relationships between NASA WCF business entities and those activities that budget for and order the end goods or services.
3. Provide managers of NASA WCF business entities the financial authority and flexibility required to procure and effectively use manpower, materials, and other resources.
4. Encourage more cross servicing within NASA and among the federal departments and agencies, with the aim of obtaining more economical use of facilities.
5. Facilitate budgeting for and reporting of the costs of end products. This will underline the cost consequences of choosing between alternatives.

B. Specific objectives include the following:

1. Furnish managers of NASA WCF business entities with modern management tools comparable to those utilized by efficient private enterprises engaged in similar types of activities.
2. Improve cost estimating and cost control through comparison of estimates and actual costs.
3. Obtain alert, forward-looking financial planning at NASA WCF business entities by making them financially dependent on reimbursements received for goods and services furnished in fulfilling orders from customers.
4. Encourage producers of goods and services to coordinate labor forces and inventories with workload, budgeting, and cost control.
5. Instill in the officials of ordering activities a greater sense of responsibility and self-restraint in balancing the cost of specific goods and services to be ordered against the benefits and advantages of their procurement, especially in the light of alternative or competing demands.

6. Place ordering agencies in the position of critically evaluating purchase prices (that is, costs of performing business entities) as well as quality and timely delivery of goods and services ordered.
7. Enable ordering agencies to budget and account on an “end-product” basis (the same as when buying from commercial contractors), thereby simplifying budget planning, budget presentations, budgetary control, and accounting procedures for both producers and ordering agencies.
8. Establish, whenever feasible, standard prices or stabilized rates and unit prices for goods and services furnished by NASA WCF business entities, thus enabling ordering Agencies to more confidently plan and budget.
9. Encourage ordering agencies’ management to improve program planning and scheduling in response to producers’ efforts to plan and negotiate for orders as far in advance as feasible.
10. Provide flexibility within budget cycles to respond to changes in supply and demand.

CHAPTER 1

APPENDIX 3

**CRITERIA FOR NATIONAL AERONAUTICS AND SPACE
ADMINISTRATION WORKING CAPITAL FUND CANDIDATES**

- A. Must possess the capability to produce one or more goods or services that are needed on a recurring and relatively predictable basis within National Aeronautics and Space Administration (NASA), other federal government entities, and/or non-government customers.
- B. Operation as a NASA Working Capital Fund (WCF) business area will result in a better quality good/service and/or decreased costs to the federal government.
- C. Demand for goods or services must be from multiple customers within the NASA and/or other federal government entities. (Customers may be a U.S. State, Territory, or possession or political subdivision thereof; other public or private agencies; or any person, firm, association, corporation, or educational institution.)
- D. A WCF shall not be dependent upon a single customer for its existence.
- E. Must have the capability to charge prices or rates that approximate the full costs of the provided goods and services. (Annual stabilized prices and rates may be increased or decreased from expected full costs of the execution year in order to recover or return losses or gains incurred in a prior year. Additionally, stabilized prices and rates may be increased to accumulate funds for capital [i.e., investment] purchases.)

CHAPTER 1**APPENDIX 4****ACCOUNTING TRANSACTIONS****A. General**

The United States Standard General Ledger (USSGL) shall be used by National Aeronautics and Space Administration (NASA) Working Capital Fund (WCF) business entities to record budgetary and proprietary accounting transactions on a double-entry basis. The Department of the Treasury, Financial Management Services provides guidance on the use of the USSGL. The internet link is: <http://www.fms.treas.gov/ussgl/index.html>

B. Accounting For Accrued Annual Leave

1. Accounting for Accrued Annual Leave of Current Employees. As an example, assume that at the end of a pay period both an appropriated fund activity and a WCF business entity have an accrued payroll of \$100,000 and a \$10,000 accrued annual leave increment for that pay period.

a. An appropriated fund activity would record the following:

Budgetary Entry

Debit	4610 Allotments-Realized Resources	\$100,000
Credit	4901 Delivered Orders-Obligations, Unpaid	\$100,000

Proprietary Entry

Debit	6100 Operating Expenses/Program Costs	\$100,000
Credit	2210 Accrued Funded Payroll and Leave	\$100,000
	and	
Debit	6800 Future Funded Expenses	\$10,000
Credit	2220 Unfunded Leave	\$10,000

b. A WCF business entity would record the following:

Budgetary Entry

Debit	4610 Allotments-Realized Resources	\$100,000
Credit	4901 Delivered Orders-Obligations, Unpaid	\$100,000

Note: The budgetary entry for a WCF business entity is the same as that for an appropriated fund activity. An obligation for annual leave is necessary only when it becomes due and payable as terminal leave.

Proprietary Entry

Debit	6100 Operating Expenses	\$100,000
	Credit 2210 Accrued Funded Payroll (Salaries)	\$100,000
	and, the same entry for the funded annual leave	
Debit	6100 Operating Expenses	\$10,000
	Credit 2210 Accrued Funded Payroll (Annual Leave)	\$10,000

2. Accounting for Accrued Annual Leave of Terminated Employees. The accounting entries to record the obligations to pay accrued annual leave to terminated employees are as follows:

Budgetary Entry

Debit	4610 Allotments-Realized Resources	\$10,000
	Credit 4901 Delivered Orders-Obligations, Unpaid	\$10,000

Proprietary Entry

Debit	2210 Accrued Funded Payroll	\$10,000
	Credit 2110 Accounts Payable	\$10,000

3. Accounting for Accrued Annual Leave of Transferred Employees. The following details the accounting treatment under various conditions. For illustration purpose, an assumption is that the employees are transferred with \$25,000 of accrued salaries and wages and \$175,000 of accrued annual leave liability.

a. Personnel Transferred with Funding. The WCF business entity should post the following entries to record initial liabilities when a transfer of \$100,000 in cash and \$25,000 in equivalent assets accompanies the liability transfer:

Budgetary Entry

Debit	4190 Transfers - Prior Year Resources	\$100,000
	Credit 4620 Unobligated Funds not Subject to Apportionment	\$100,000

Proprietary Entry

Debit	1010 Fund Balance with Treasury	\$100,000
Debit	1750 Equipment	\$ 30,000
Debit	5720 Financing Sources Transferred In Without Reimbursement	\$ 70,000
	Credit 2210 Accrued Funded Payroll (salaries)	\$ 25,000
	Credit 2210 Accrued Funded Leave (annual leave)	\$175,000

b. Personnel Transferred Without Funding. The WCF business entity should post the following entries to record initial liabilities when the liability is transferred without accompanying resources:

Budgetary Entry

None

Proprietary Entry

Debit	5720 Financing Sources Transferred In	
	Without Reimbursement	\$200,000
Credit	2210 Accrued Funded Payroll and	
	Leave (salaries)	\$ 25,000
Credit	2220 Unfunded Leave (annual leave)	\$175,000

4. Amortization of Unfunded Annual Leave. The entries to amortize unfunded leave are as follows:

Budgetary Entry

There is no budgetary entry specific for leave amortization. The budgetary resources necessary for the amortization are imbedded within the budgetary entries recorded for customer order advances and payments. It is imbedded within that amount because the customer order rate includes a factor for amortization of annual leave.

Proprietary Entry

Debit	2220 Unfunded Leave	\$35,000
	Credit 2210 Accrued Funded Leave	\$35,000

C. Accounting for Reimbursements and Revenue Recognition

1. Anticipated Reimbursements. The United States Standard General Ledger Board of the Treasury Department publishes a full [description of accounting for anticipated reimbursements](#). The accounting entries to record the annual anticipated reimbursements is as follows:

Budgetary Entry

Debit	4210 Anticipated Reimbursements and Other Income
	Credit 4450 Unapportioned Authority

Proprietary Entry

None.

2. Acceptance of Customer Orders. The following details the accounting entries when a NASA WCF business entity receives a customer order.

a. Customer orders received with an accompanying advance shall be recorded as follows:

Budgetary Entry

Debit	4222 Unfilled Customer Orders With Advance
	Credit 4210 Anticipated Reimbursements and Other Income

Proprietary Entry

Debit 1010 Cash

Credit 2310 Advances from Others

b. Customer orders received without an accompanying advance shall be recorded as follows:

Budgetary Entry

Debit 4221 Unfilled Customer Orders Without Advance

Credit 4210 Anticipated Reimbursements and Other Income

Proprietary Entry

None

3. Revenue Recognition. A NASA WCF business entity shall bill its customers and recognize revenue at least monthly. These are the accounting entries to be made by a NASA WCF business entity to recognize revenue.

a. Recognize revenue upon partial or final completion of work performed on a customer order received with an advance:

Budgetary Entry

Debit 4252 Reimbursements and Other Income Earned - Collected

Credit 4222 Unfilled Customer Orders With Advance

Proprietary Entry

Debit 2310 Advances from Others

Credit 5200 Revenue from Services Provided

b. Recognize revenue upon partial or final completion of work performed on a customer order received without an advance:

Budgetary Entry

Debit 4251 Reimbursements and Other Income Earned - Receivable

Credit 4221 Unfilled Customer Orders Without Advance

Proprietary Entry

Debit 1310 Accounts Receivable

Credit 5200 Revenue from Services Provided

c. Collection of the reimbursement for work performed on customer order without an advance:

Budgetary Entry

Debit 4252 Reimbursements and Other Income Earned - Collected

Credit 4251 Reimbursements and Other Income Earned - Receivable

Proprietary Entry

Debit 1010 Cash

Credit 1310 Accounts Receivable

D. Accounting for Capital Assets1. Purchase and Depreciation of Capital Asset

a. Order Placed for Capital Asset. The accounting entry to record an obligation for the purchase of a capital asset is as follows:

Budgetary Entry

Debit 4610 Allotments-Realized Resources

Credit 4801 Undelivered Orders-Obligations, Unpaid

Proprietary Entry

None

b. Capital Asset Received. The accounting entries to record the receipt and recognize the accounts payable for a capital asset is as follows:

Budgetary Entry

Debit 4801 Undelivered Orders-Obligations, Unpaid

Credit 4901 Delivered Orders-Obligations, Unpaid

Proprietary Entry

Debit 1750 Equipment

Credit 2110 Accounts Payable

c. Payment for Capital Asset. The accounting entries to record the payment for the purchase of a capital asset is as follows:

Budgetary Entry

Debit 4901 Delivered Orders-Obligations, Unpaid

Credit 4902 Delivered Orders-Obligations, Paid

Proprietary Entry

Debit 2110 Accounts Payable

Credit 1010 Fund Balance With Treasury

d. Depreciation of Capital Asset. The accounting entries to record depreciation of a capital asset is as follows:

Budgetary Entry

None

Proprietary Entry

Debit 6710 Depreciation, Amortization, and Depletion

Credit 1759 Accumulated Depreciation on Equipment

2. Transfers of Capital Asset

a. Transfer In of Capital Asset Without Reimbursement. The accounting entries to record the transfer in of a capital asset without reimbursement is as follows:

Budgetary Entry

None

Proprietary Entry

Debit 1750 Equipment

Credit 1759 Accumulated Depreciation on Equipment

Credit 5720 Financing Sources Transferred In Without Reimbursement

b. Transfer Out of Capital Asset Without Reimbursement. The accounting entries to record the transfer out of a capital asset without reimbursement is as follows:

Budgetary Entry

None

Proprietary Entry

Debit 5730 Financing Sources Transferred Out Without Reimbursement

Debit 1759 Accumulated Depreciation on Equipment

Credit 1750 Equipment

c. Transfer Out of Capital Asset For Disposal. Capital assets that are disposed of shall be removed from the asset accounts, along with its associated accumulated depreciation. Any difference between the recorded value of the asset and its accumulated depreciation shall be recognized as a loss. The accounting entries to record the transfer out of a capital asset for disposal is as follows:

Budgetary Entry

None

Proprietary Entry

Debit 7210 Losses on Disposition of Assets

Debit 1759 Accumulated Depreciation on Equipment

Credit 1750 Equipment

CHAPTER 1**APPENDIX 5****NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
WORKING CAPITAL FUND FINANCIAL AND MANAGEMENT REPORTS**

A. Each National Aeronautics and Space Administration (NASA) Working Capital Fund (WCF) business entity shall produce the following financial and management reports:

1. Monthly
 - a. Flash Management Report (see page 2 of this Appendix for an illustrated format)
 - b. The following financial reports in the [format prescribed by the Office of Management and Budget](#) for Agency Financial Statements.
 - (1) Balance Sheet
 - (2) Statement of Net Cost
 - (3) Statement of Changes in Net Position
 - (4) Statement of Budgetary Resources
 - c. Trial balance of general ledger account balances
2. Quarterly
 - a. Federal Agencies' Centralized Trial Balance System (FACTS) I [format prescribed by the Office of Management and Budget](#).
 - (1) Un-Audited Financial Statements
 - (2) Notes to the Financial Statements
 - b. FACTS II
 - (1) SF 133, Report on Budget Execution and Budgetary Resources
 - (2) FMS 2108, Year-End Closing Statement
 - c. Treasury Report on Receivables in the format prescribed by the Department of Treasury, Financial Management Service.

3. Annual. Audited Financial Statements and Notes in the format prescribed by the Office of Management and Budget and submitted to the Department of the Treasury via FACTS I.

B. Flash Management Report. Report will show, “For (Month, Day, Year)” and “\$000” and provide the following information.

1. Explanation of Net Operating Results (NOR) Variances. Our total revenue is \$500K less than planned because customer X postponed its planned work two months. Our total costs were \$680K less than planned partially because we did not incur planned costs to accomplish the postponed Customer X workload and partially because our contractor’s billing was late in arrival.

NET OPERATING RESULTS

	<u>Actual</u>	<u>Planned</u>	<u>Variance</u>
Total Revenue	\$ 4,500	\$ 5,000	\$(500)
Less: Total Costs	<u>\$(4,320)</u>	<u>\$(5,000)</u>	<u>\$ 680</u>
Equals: Net Operating Results	\$ 180	\$ 0	\$ 180

2. Explanation of Cash Variances. Our cash balance is \$75K less than planned partially because of Customer X work postponement but primarily because payment of accounts receivable has been slower than anticipated. We do not believe delayed payment is indicative of a problem but, rather, is a temporary aberration.

CASH

	<u>Actual</u>	<u>Planned</u>	<u>Variance</u>
Cash Balance	\$ 925	\$1,000	\$(75)
Days of Cash ¹	28.5	30	(1.5)

3. Explanation of Budget Authority Variances. Our total budgetary authority consists of all customer orders received to date and includes those that have been completed and those that have not yet been performed. Our total budget authority received is \$500K less than planned because customer X postponed its planned work two months. Our obligations were \$200K less than planned because we did not incur obligations to accomplish the postponed Customer X workload. Although our contractor’s billing was late in arrival, we had previously established a \$480K obligation for the amount owed.

BUDGET AUTHORITY

	<u>Actual</u>	<u>Planned</u>	<u>Variance</u>
Total budget authority received	\$ 6,500	\$ 7,000	\$(500)
Less: Obligations incurred	<u>\$(5,400)</u>	<u>\$(5,600)</u>	<u>\$ 200</u>
Equals: Budget authority available	\$ 1,100	\$ 1,400	\$(300)

¹ “Days of Cash” is the cash balance divided by average daily outlays. Average daily outlays are equal to the total expected annual outlays divided by 260 or 261 (working days during a fiscal year).

C. IFMP/Core Financial Generated Managerial (R/3) Reports. The IFMP/Core Financial and Business Warehouse have the capability of producing financial reports on a query or as needed basis. A listing and description of those reports begins on page 3 of this appendix. Also the reports can be viewed at: <http://olqr-cf.ifmp.nasa.gov>.

1. Accounts Receivable Reports

a. ZFI AR STATUS - Accounts Receivable Status Report. Provides accounts receivable status by customer including: Original bill amount, collection amount, write-off amount and account balance.

b. ZFI AR FINAL COST - Final Cost Report. Provides a final billing cost report by appropriations, fund sources, and funds.

c. S ALR 87012173 - Customer Open Items Report Generates a list of customer open items that can be accrued within a given period and are still open on a key date.

2. Execution Reports

a. ZNASACP - Cost Pool Funding Status. Report provides status of funds to include commitment, obligations, costs, and disbursements along with allocations into cost pool accounts.

b. ZNASANR - Available Budget Balance-Non Reimbursable. Report reflects budget, commitment, and available budget by fund and fund center.

c. ZNASAST5 - NASA Fund Status Cumulative. Report reflects budget additions, commitment, obligations, cost, and disbursements by fund and fund center.

D. Business Warehouse Reports

1. Accounts Receivable Reports

a. ARRPT6 - Customer Statements. Receipts management report that provides a history of all financial activity for customers both reimbursable and non-reimbursable. The report shows invoices, collections, write-offs, sales order number, Work Breakdown Structure (WBS), advance information, and other adjustments (write-offs, credit memo) by customer.

b. ARRPT7 - Aged Accounts Receivable. Report reflects outstanding receivables by aging periods based upon the date (baseline date) the invoice was created.

c. ARRPT12 - Accounts Receivable by Customer Agreement. Report provides business area, trading partner, account group, sales order, fund center, fund, WBS, Federal Information Processing System (FIPS) 95 code, funds reservation amount, obligations,

cost, disbursement, billed amounts, down payment liquidations, and customer payment information for the accounts receivable customer.

d. ARRPT13 - Accounts Receivable Finance Charges. Report provides a listing of finance charges (interest, penalty, and administrative charges) billed for each accounts receivable.

e. GENRPT21 - Analysis of Accounts Receivable, Advances and Prepayments. Report provides information on the status of advances received from customers. It reflects the business area, customer, fund, sales order, WBS, and status of advanced funds (original advance amount, liquidated amount, and balance of advance).

2. Accounts Payable Reports

a. APRPT10 - Payment History. Report reflects purchase order, document number, payment confirmation date, invoice-received date, payment method, discounts taken, overall payment made.

b. GENRPT3 - Discount/Interest/Late Payment Information Report. Report provides data for prompt payment reporting on late and penalty payments, discounts, discounts lost, and early payments made by business area.

3. Budget Reports

a. BERPT1 - Available Budget Balance (Reimbursable or Non-Reimbursable). Report of all commitment and budget information posted in funds control module. Report includes expenditures that consume budget. Details are at the total level with no line item detail available.

b. BERPT2 - Operating Plan to Actual (R/3 ZNASAST5 Equivalent). Report query of operating Plan values and actual commitment, obligation, cost, and disbursement at the line item level as well as total budget posted in the funds control module.

c. BERPT2 - Operating Plan to Actual Cost Pool Funding. Report of commitment, obligation, cost, disbursement at the line item level as well as total budget posted in funds control module.

d. BERPT3 - Phasing Plan to Actual. Report comparison of phasing plan data entered in IFMP/Core Financial via R/3 transaction CJR2 with the commitment, obligation, cost information in funds control module.

4. Cost Management Reports

a. Labor Hours. Report available to the project office of the name, hours charged, and labor codes by elements of the Financial Classification Structure.

b. CMRPT9 - Civil Service Labor and Cost Utilization Report. Report of civil servant labor hours and dollars utilized for a particular fiscal period. The report reflects regular, overtime, holiday, premium pay, awards as well as reimbursable labor charges.

c. CMRPT14 - Workforce Variance Cost Center View. Provides information for civil servant (FTE's) and contractor workforce (WYE's) by cost center or performing organization. Report contains planned workforce, actual workforce, and a variance between plan and actual. Currently, the WYE's are not available on this report.

d. CMRPT14 - Workforce Variance WBS Element View. Report displays workforce information for FTE's and WYE's by project WBS. The report contains planned workforce, actual workforce, and variance between the plan and actual. Currently the WYE's are not available in this report.

e. CMRPT20 - Cost Pool Funding - Pool View. Budget transferred and cost allocations by project fund center by fund, cost pool (9000 Series).

f. CMRPT20 - Cost Pool Funding - Project View. Report displays cost allocations to project WBS's by fund, cost pool (9000 Series). In this report the budget will be displayed on an unassigned line because the budget is being transferred at the fund center level not the project WBS level.

g. CMRPT21 - Cost Pool Funding - Budget verses Obligations by Fund (Exclude 9000). Cost pool management report. Utilizing the cost pool fund center, the report displays cost pool budget received and obligated by fund. This report allows the cost pool manager the visibility to see if funds are available for obligation and to manage cost and disbursements. This report allows drill down capability to the original document from the obligation document.

h. CMRPT21 - Cost Pool Funding - Cost verses Allocation by Fund. Report allows the project manager and analysts to view all funds transferred to cost pools; evaluate allocations posted by project WBS fund and analyze available balances. Utilizing the project fund center, the report displays budget transferred to cost pool(s) and the allocations back by project WBS and fund.

i. CMRPT23 - Project Cost - Cost Pools, Cost Over Obligation and Downward Adjustments. Report displays the cost posted in R/3 core financial through service entry sheets and goods receipts. It includes cost allocations to projects by viewing the 9000 series commitment item. Cost in excess of obligations and downward adjustments are included from the contract cost report and straight-line extensions and are calculated with the R/3 postings to provide a total calculated cost amount. This report is a "snapshot" view for the period being displayed. If reviewing this report for more than one period, the cost in excess of obligations and downward adjustment is not cumulative, only the values for the last period will be added to the cumulative cost from R/3.

j. GENRPT15 - Cost Over Obligations/Downward Adjustments/Reconciliation. Report will provide the information that will represent the cost in excess of obligation based on cost entered in the contractor cost report extension. There are multiple views of this report: cost over obligation that did not get posted into R/3 that is to be tracked in the worksheet in the extension and in business warehouse; the downward adjustment that will be tracked in the worksheet in the extension and in business warehouse; and the cost over obligation and downward adjustment that can be used for reconciliation of the contract cost report worksheet.

k. CMRPT24 - Full Cost of Project - Management View. Report combines all elements of report into one view reflecting fund, fund center, project definition, project WBS, commitment item number, and downward adjustments.

CHAPTER 1**APPENDIX 6****NASA WORKING CAPITAL FUND END-TO-END REQUIREMENTS****A. GENERAL****1. Background**

a. The National Aeronautics and Space Administration (NASA) received Congressional approval on February 20, 2003 with enactment of the fiscal year (FY) 2003 appropriations act (P.L. 108-7), to implement a NASA Working Capital Fund (WCF). On September 17, 2003, the Department of Treasury established account 80X4546 for the Fund. This new WCF will include selected agency-wide reimbursable/administrative operations and functions that produce products or provide services on a recurring basis. The NASA WCF will change the way that NASA does business and will make some of the reimbursable and administrative programs adopt more private-sector business methods. Specifically, the NASA WCF will provide a buyer/seller relationship on a business-like basis with fully reimbursed rates and no fiscal year limitations that will focus on streamlining operations, extending resources, measuring performance and improving customer satisfaction. This initiative will also build upon the "Full Cost" initiative, which is currently being implemented throughout NASA.

b. Establishment of the NASA WCF is a financial management strategy that supports NASA's implementing strategy for financial management. Applying the WCF concept will provide a structure to encourage conservation of resources, cost awareness, and operational efficiency. This strategy also provides a framework that reinforces NASA's commitment to improving our procedures for financial planning, reporting, and management.

2. Purpose. The purpose of this document is to provide high-level requirements of the WCF End-to-End processes. The processes will include requirements for both the NASA WCF and the NASA WCF Customers. Sections will be categorized as Budget Formulation, Budget Presentations, Internal NASA Customer and Provider Assurance Requirement, Transfer of Balance Sheet Items, Budget Execution and Financial Reporting. A further break out of details in the NASA WCF budget execution section will provide customers' funding tracking, as well as, operations to fulfill customers' needs.

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1. Externally Mandated Minimum Budget Preparation Requirements for the Office of Management and Budget (OMB) and Congress.

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1. Budget submission to the OMB will occur in the fall. Requirements are as follows: (1) provide a narrative description of the NASA WCF programs and functions; (2) provide Program and Financing statement by prior year (PY), current year

(CY), and budget year (BY); (3) provide an object classification exhibit (cost of operations by element of expense) by PY, CY, and BY; and (4) provide assigned civilian full-time equivalents (FTE) by PY, CY, and BY

2. Budget formulation for the fall (i.e., 2004) submission of the Fiscal Year (FY) (i.e., 2006) budget to OMB, reference OMB Circular A-11, "Preparation, Submission and Execution of the Budget" states that "the respective Agency (i.e., NASA) must reach agreement with our OMB representative on the form and specific content of the budget submission in the spring and summer preceding the budget submission."

b. Budget Presentation. Budget submission to Congress will occur in February; data will be used for the Budget Appendix of the United States Government. There are two types of budgets submitted, (1) Operating Budget, and (2) Capital Budget. The operating budget and the capital budget are used to prepare a Rate Development Submission.

c. Operating Budget. The WCF Operating Budget Submission consists of three exhibits. Submit items 1 through 4 as identified in section 020201, paragraph A.1. above to reflect OMB adjustments and revisions to the NASA WCF cost of operations and number of assigned civilian FTEs. The WCF Operating Budget Exhibit 1, "Civil Service Personnel Costs" classifies personnel as to the pay schedule from which they are paid and categorizes the components of total compensation for each pay schedule. The WCF Operating Budget Exhibit 2, "WCF Obligations and Costs" shows components resulting in the actual and projected unobligated balance by fiscal year, classifies actual and projected obligations by object class and fiscal year, and lists actual and projected costs by fiscal year. The WCF Operating Budget Exhibit 3, "WCF Source of New Orders and Revenue" identifies sources of orders by NASA appropriation and by federal and non-federal agency, estimates revenue to be recognized by fiscal year and estimates orders to be carried forward to a subsequent fiscal year. See Volume 4 of this Regulation for details regarding budget exhibits.

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worksheet through which a customer price/ rate by goods or services is developed. The WCF Rate Development Exhibit 3, "Distribution of Costs to WCF goods or services" classifies budgeted costs by object class and, through an allocation of those costs to goods or services, and develops a total cost per goods or services.

2. Internal NASA Customer and Provider Assurance Requirement

a. Budget Formulation. WCF operating budget must be provided to NASA customers to ensure/verify that the WCF's forecasted orders are reflected in the customer's budget.

b. Transfer of Unexpended Balances

1. The amount of unexpended funds transferred shall provide enough capital to pay expenses until sufficient revenue is generated. This amount shall equal the cash necessary to pay for operating costs until the first advance is received. If sufficient funds are advanced to the WCF business entities, then there shall be no transfer of unexpended balances. The following conditions shall apply if any unexpended balances need to be transferred:

a. Condition 1, Appropriation Applicability. Only balances of appropriations provided for the same purposes as the purposes of the NASA WCF may be transferred.

b. Condition 2, Appropriation Availability. The transferring appropriation may not transfer expired or canceled appropriation balances. However, unobligated balances that are available for new obligations may be transferred to the NASA WCF.

2. In accordance with the NASA FY 2003 appropriation language, "Amounts in the fund are available without regard to fiscal year limitation." Obligated balances of the transferor appropriation for services/equipment to be delivered and used by the WCF should be de-obligated from the transferor appropriation, the de-obligated funds then transferred to the NASA WCF and the services/equipment re-obligated within the WCF. The activity needs to ensure that its budgetary resources remain positive in order to avoid an Anti-Deficiency Act violation.

c. Transfers of Inventory and Property. The NASA FY 2003 appropriation language states, "The capital of the fund consists of ... the reasonable value of stocks of supplies, equipment, and other assets and inventories on order that the Administrator transfers to the fund..." Any transferred capital equipment will be valued at book value (original cost less accumulated depreciation). Inventories will be valued at original cost.

d. Transfer of Accrued Annual Leave

1. The annual leave within a WCF differs from that of an appropriated fund. In an appropriated fund, the accrual of annual leave is unfunded. However,

as required by the NASA WCF appropriation language, the accrual of annual leave within the NASA WCF is funded. Therefore, personnel assigned from an appropriated fund activity to a WCF business entity are accompanied by a liability for the amount of accrued earnings and annual and sick leave earned by those employees prior to their transfer.

2. Ordinarily, payment in the form of cash or other agreed upon equivalent assets such as operating materials and supplies or equipment should be made to the receiving WCF business entity for the amount of the liabilities assumed. However, in some cases, a full payment for liabilities of transferred personnel may not be received. In these cases, the earned leave liability transferred into the fund will be amortized and charged as a WCF operating expense. The amortization period will be determined based on careful consideration of the WCF needs to pay liabilities for retirements and/or other employee terminations balanced against the effect on rates charged to WCF customers.

e. Budget Execution (Cash Management)

1. The cash management minimum requirement is to maintain a cash balance necessary for meeting both operational and disbursement needs, as well as, for the support of the capital program. Cash generated from operations is the primary means of maintaining adequate cash levels. The ability to generate cash is dependent on setting rates to recover full costs to include prior year losses; accurately projecting workload; and meeting established operational goals. The Agency's FY 2003 appropriation language provides that "...The fund shall be reimbursed, in advance, for supplies and services at rates that will approximate the expenses of operations..." Accordingly, the WCF business entities shall be advanced funds identified in WCF customer orders during the fiscal year, as required, to support the cost of operation. Therefore, after receiving and recording authority in the WCF to receive/accept customer's orders, the first requirement is to request advances from WCF customers' for anticipated orders.

2. If the WCF receives the customer's advance before the customer order is received then, the customer's advance must be recorded in the United States Standard General Ledger (USSGL) as a suspense item to the 80F series of treasury symbols. However, if the receipt of orders is received before the customer's advance is received then, record the receipt of orders in SGL as an Unfilled Customer Order - Without Advance. When the customer's advance is received, the WCF will record the receipt of the advance from others in SGL as an Unfilled Customer Order - With Advance. At this stage, cash is available to fill the customer orders, to pay for operations and, as appropriate, to reserve funds for the purchase of capital assets.

3. Funds shall be reserved through establishment of "Cumulative Results of Operations" sub-accounts whose purpose is to restrict the distribution of gains to customers. The "Cumulative Results of Operations" sub-accounts are (1) Retained Earnings for Corpus Requirements, (2) Retained Earnings for Leave Accruals, and (3) Retained Earnings for Capital Asset Acquisitions. The purpose of "Retained Earnings for Corpus Requirements" sub-account is to maintain at least 30 days of operational cost plus cash adequate to meet six months of capital disbursements. Cash levels will be calculated using the following formula: Total

operating budget disbursements for a fiscal year divided by either 260 or 261 available workdays in a fiscal year multiplied by the number of days cash desired.

4. The purpose of “Retained Earnings for Leave Accruals” sub-account is to reserve funds for the earned leave liability transferred into the fund. The balance in the Retained Earnings for Leave Accruals sub-account is established through amortization of WCF leave liabilities as a WCF operating expense.

5. The purpose of the “Retained Earnings for Capital Asset Acquisitions” sub-account is to accumulate funds for the acquisition of approved capital asset purchases.

6. Once all reservations for cost pool and General and Administrative (G&A) are established, cash is now available to fill customers’ orders and start the procurement process. The first requirement to fill the customer order is to process a purchase request and record a commitment in the SGL for WCF operations. The second requirement to fill the customer order is to process a purchase order and record an obligation in the SGL for WCF operations. The third requirement is to record cost/expenses in the SGL to recognize incurred direct/indirect expended authority unpaid to fill customers’ orders. The next requirement is to record the charges received from the cost pools and G&A monthly assessment. The final requirement to fill the customer’s order is to record disbursements in the SGL to liquidate the expended authority unpaid. In addition, WCF business entities will provide a cash flow statement for the upcoming quarter that identifies the beginning balance, expected cash receipts, expected cash disbursements, cash transfers, and the expected ending balance to NASA Headquarters.

7. Monthly, regardless of whether a customer order is partially or fully completed, the WCF project business entity manager will provide notification to Financial Management of the earnings that are to be realized that month. Based on the notification the first requirement is to recognize earned revenue. Earned revenue is recognized by recording revenue and liquidating the advance from others in the SGL for orders partially or fully completed. Final requirement is to provide a status billing to customers for orders partially or fully completed.

f. Financial Reporting Requirements. Each NASA WCF business entity shall produce monthly and quarterly financial and management reports.

1. The first required monthly report should identify cash, budget authority, revenue, expended authority and net operating results. The second required monthly report should provide planned versus actual revenue and expense and deltas.

2. All quarterly managerial reports are for external use. Required reports submitted to OMB are the SF 132, “Apportionment and Reapportionment Schedule;” the SF 133, “Report on Budget Execution and Budgetary Resources” (see OMB Circular A-11 for format guidelines); the CFO mandated exhibits per OMB Bulletin 01-09 “Form and Content of Agency Financial Statements;” Federal Agencies' Centralized Trial-Balance System (FACTS) I and FACTS II. The required report submitted to Treasury is the “Receivables Due from the

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C. END-TO-END REQUIREMENTS FOR A NASA CUSTOMER USING A WCF

1. Budget Formulation

a. Determine Services/Goods Required From WCF. The NASA customers of the NASA WCF must provide anticipated volume of goods and services needed to meet program/project schedules. The first requirement to provide anticipated volume of goods and services is to obtain the WCF rates/prices for goods/service required during the next year. The second requirement to provide anticipated volume of goods and services is to identify volume/level of goods/services to be provided by the WCF business entity based on the project schedule and forecasted funding available.

b. Load Funding Amount Required in BF Module. The NASA customers of the NASA WCF will use the normal Program Operating Plan process to load the amount required to pay for goods/services provided through the WCF. The customer will use the normal procurement process to order goods and services from the WCF as if ordering from an outside or government vendor.

c. Internal NASA Customer and Provider Assurance Requirement. The customer must review the WCF forecasted operating budget, loaded in the BF module, to ensure that the customer’s funds for the forecasted orders, loaded in the BF module, are reflected in the WCF operating budget. In addition, the customer should review for changes in the rates/prices and the estimated quantities of goods/services to be filled during next year by the WCF.

2. Budget Execution

a. Ordering Goods/Services from WCF. Once all projects’ funds/authority to obligate has been received, recorded and the project’s authority has been transferred to meet the projects’ service pools and general and administrative requirements, funds are now available to order from the WCF and start the procurement process. The first requirement to order goods/services from the WCF is to process a purchase request and record a commitment in the standard general ledger (SGL). The second requirement to order goods/services from the WCF is to process a purchase order and record an obligation-unpaid in the SGL.

b. Receipt/Acceptance of Ordered Goods/Services. Once an order is received/accepted at the WCF, the WCF will request an advance. The third requirement is to send an advance to the WCF and record an obligation-paid in the SGL. If the ordering of goods/services from the WCF is between centers then, send the advance to the WCF via Intra-Governmental Payment and Collection. The final step of the process and requirement to order goods/services from the WCF is to recognize the cost/expense in the SGL. The cost/expense is recognized when the customers receive a status billing from the WCF for orders partially or fully completed for the customers.

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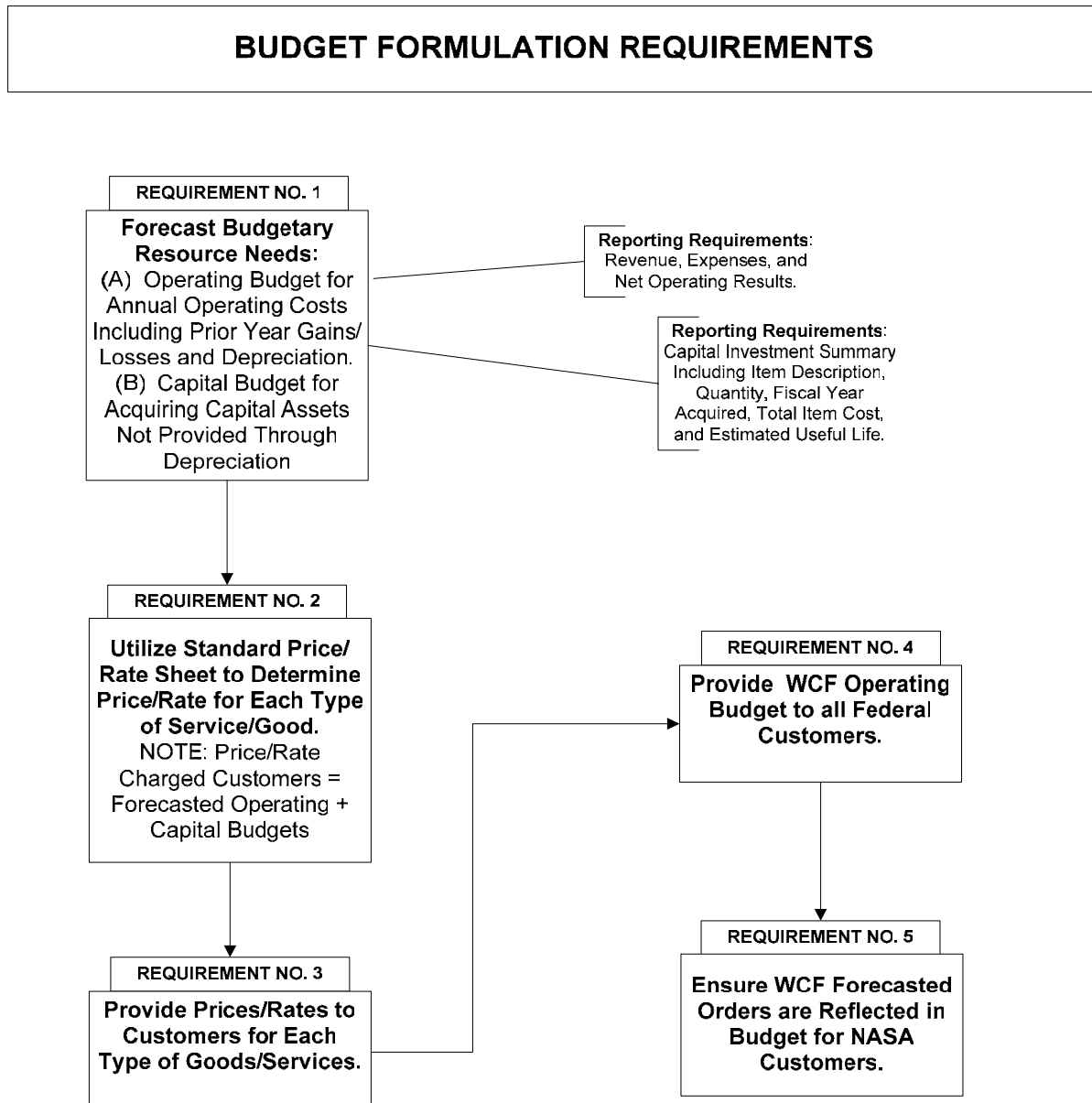
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2. Budget Execution

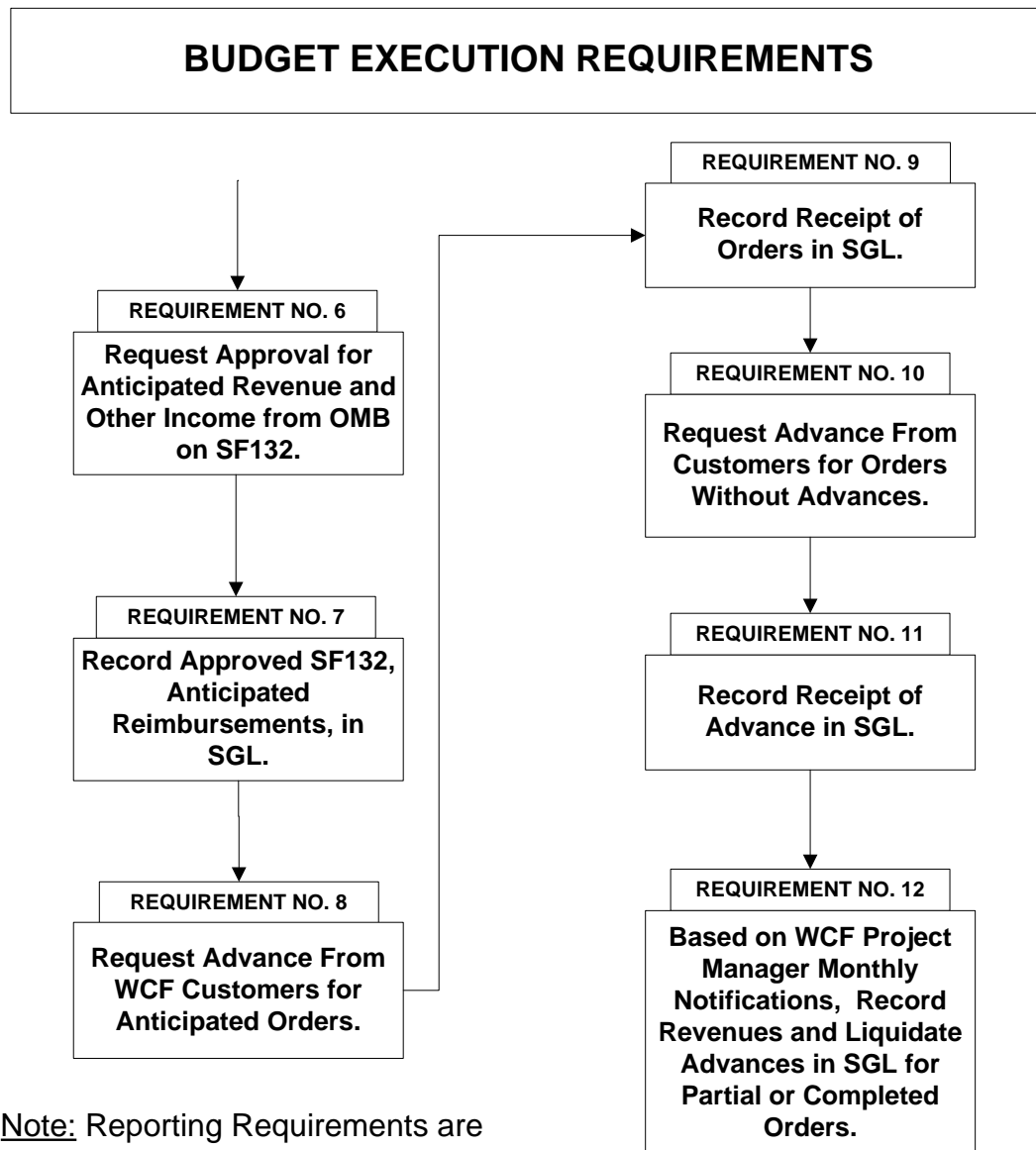
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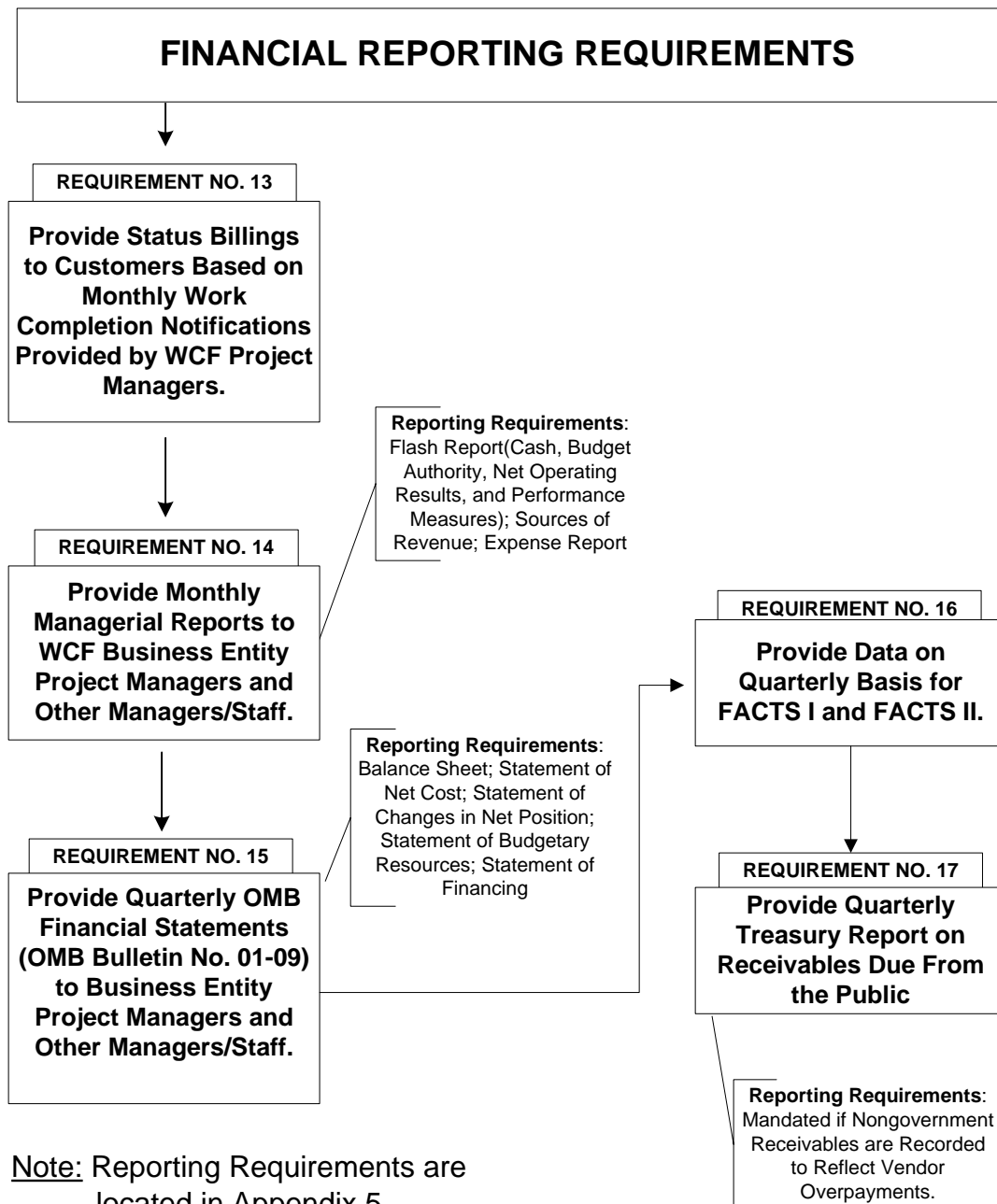
D. WCF END-TO-END PROCESS FLOW DIAGRAMS**WORKING CAPITAL FUND
END TO END REQUIREMENTS**

Note: Reporting Requirements are located in Appendix 5

WORKING CAPITAL FUND END TO END REQUIREMENTS

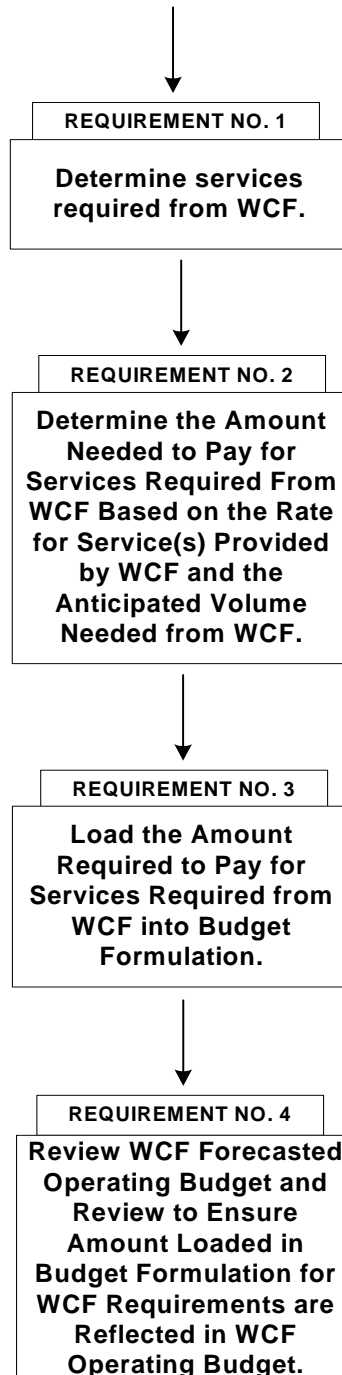


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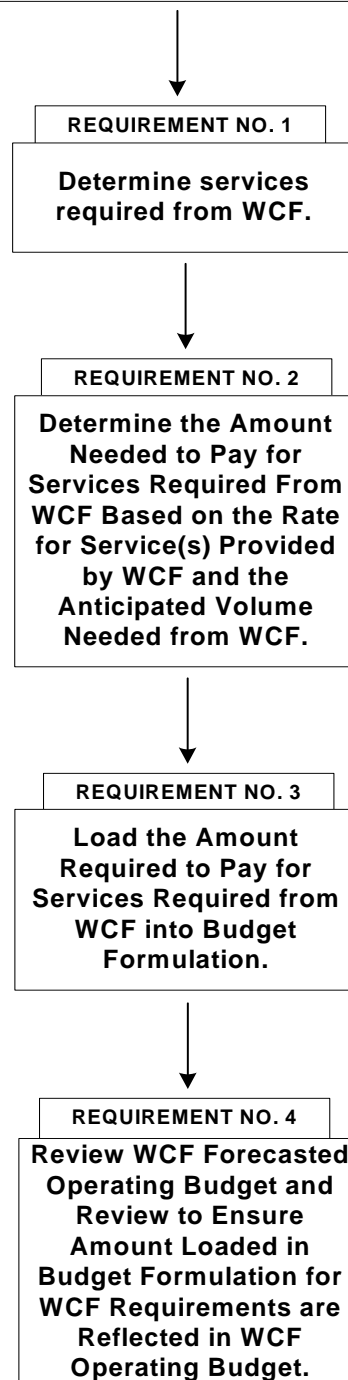
END TO END PROCESS REQUIREMENTS FOR A NASA CUSTOMER USING WORKING CAPITAL FUND

BUDGET FORMULATION REQUIREMENTS



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CHAPTER 2**CUSTOMER ORDERS**0201 GENERAL

020101. Purpose. This section establishes the Working Capital Fund (WCF) financial management policies related to (1) entering into customer orders; (2) using Work Breakdown Structures (WBS); and (3) advance billing and collecting. Volume 16 of the NASA Financial Management Requirements (FMR) establishes policies relating to reimbursable agreements. Many of those policies are equally applicable to WCF customer orders; however, there are significant differences between reimbursable agreements (which charge actual performance costs) and WCF customer orders (which charge a pre-set stabilized rate or price).

020102. Overview

A. A WCF customer order requests a WCF business entity to provide a specific good or perform a specific service. Also, the customer provides the WCF with advance funding for the good or service ordered. After acceptance of the customer order by the WCF business entity manager, the WCF business entity then requests advance funding to begin work; provides the good or service requested; status bills the customer the agreed-upon price; and recognizes funding received as revenue based on goods or services fully or partially completed.

B. A NASA WCF business entity will not initiate work or services or incur obligations until customer orders are signed and advanced funding is received.

C. Goods or services that are needed on a recurring and predictable basis may be ordered on an annual basis. All customer orders between a WCF business entity and its customer document the planned good(s), service(s), and price(s) and are signed and approved by the customer and the WCF business entity manager. Annual customer orders should be prepared and approved by the customer and WCF business entity manager before the beginning of the applicable fiscal year. Appendix 1 to this chapter provides an example of a customer order format.

D. Customer orders should include the customer's best estimate of the service levels required. Significant variances in the level of actual services consumed should be communicated to the WCF business entity as a modification to the customer order. In all cases, the customer is responsible for the determination that funds cited on a customer order are an appropriate use of the cited appropriation. In the event that the NASA has not received its new fiscal year budget, customer orders will be funded consistent with NASA Headquarters Office of the CFO guidance to implement the Continuing Resolution legislation.

020103. Responsibilities

A. The responsibilities in the FMR Volume 16 of the various NASA Centers are the same for WCF customer orders as they are for reimbursable agreements except that an

Estimated Price Report (EPR) is not required for WCF business entities. An EPR is not required because WCF business entities charge on the basis of a pre-set stabilized rate or price and not actual cost.

B. FMR Volume 16 provides the basic elements of a reimbursable agreement. These basic elements also apply to WCF customer order agreements.

C. The process for obtaining a WCF customer order number is the same as that for obtaining a WBS for a reimbursable agreement order.

0202 ANNUAL CUSTOMER ORDERS

020201. During the Program Operating Plan (POP) process, a WCF business entity should request its customers to complete WCF customer orders for the upcoming fiscal year. The customer order should reflect the amount of goods or services required and sufficient funding committed or planned for a full fiscal year.

020202. Customers are responsible for determining their annual needs based on historical information and feedback from their internal users (the process to gather this information is at the discretion of each customer organization). After determining their annual needs, customers complete the WCF order form, which includes a listing of the services offered and a unit price for each service. A completed WCF order form identifies the amount of funds needed for each specific service.

020203. The customer order serves as a formal funding agreement between the customer and a WCF business entity. Customers may cite their unexpired appropriations, new funds or a combination of both.

020204. If a customer order cites new appropriated funds anticipated in the upcoming fiscal year, then the customer order is subject to the availability of funds. As such, the customer must designate on the customer order that the customer order is "Subject to the Availability of Funds."

020205. After a customer order form is completed, it must be signed by a customer official with authority to commit the funds cited and by the customer's budget officer who certifies that funds have been committed/reserved. The budget officer fund control officer's signature attests that the funds are "available, reserved, and appropriate for the service identified."

020206. Prior to sending the customer order to a WCF business entity, the customer's budget officer commits the funds cited on the customer order. For newly appropriated funding, once Congress approves the budget of the customer's agency (e.g., NASA, Department of Defense (DoD), or other Federal Agency), customers must immediately commit those funds and notify the WCF business entities that those funds have been committed and can now be obligated.

020207. Prior to decommitting funds, the budget officer must first notify the WCF business entity of the intent to decommit the funds. If the funds need to be decommitted, the budget analyst must fully explain the rationale behind the decommitment to the satisfaction of the WCF business entity. Funds will not be decommitted unless there is a mutual signed agreement between the two parties.

020208. If a customer receives a WCF service prior to completing a customer order or providing the necessary documentation showing that the funds have been committed, the WCF business entity will notify the customer of the need to proceed immediately to prepare a new customer order or modify an existing customer order with the appropriate order and funding for the required level of service. If the customer order modification is not submitted to the WCF business entity manager by the close of the following advance billing cycle (within approximately 30 days), the WCF business entity manager may, if necessary, raise the issue to the Center Chief Financial Officer (CFO), NASA CFO or WCF Corporate Board for their review and resolution.

0203 ACCEPTING CUSTOMER ORDERS

020301. Customers provide the signed and approved WCF customer order (plus any other required documentation) to the WCF business entity. Upon receipt, the WCF business entity assigns a unique Customer Order Number.

020302. While the customers are responsible for ensuring the accuracy and completeness of the customer order, the WCF business entities are responsible for assessing their ability to provide the requested goods or services. A WCF business entity will discuss any problems with its customers prior to acceptance of the orders, and return incomplete customer orders to the customer for correction and resubmission. Upon acceptance of the customer order and signature, the WCF business entity manager provides copies of the signed forms to the customer order originator. The signed customer order, or notification of the signing, is documentation for the customer to remove its commitment and move the funding to undelivered orders-obligations prepaid/advanced or undelivered orders-obligations unpaid status.

020303. Following approval by the customer and the WCF business entity manager, customer orders are binding on both parties and cannot be modified except by mutual agreement through a formal modification. (See paragraph 0206, below.) Therefore, customers should verify the accuracy of their orders and WCF business entities should ensure their ability to provide the requested goods or services prior to signing the customer order. Problems related to a customer order should first be addressed between the customer and the WCF business entity. If these parties cannot resolve the problem, the WCF business entity manager may raise the issue to the Center CFO, NASA CFO, or WCF Corporate Board as necessary.

020304. After acceptance of the customer order by the WCF business entity manager, delivery of services begins consistent with the terms of the customer order.

0204 INITIATION OF CUSTOMER ORDER WORK

020401. A NASA WCF business entity will not start work for a customer until:

- A. An agreement has been signed by both NASA and the customer,
- B. A WBS has been assigned,
- C. Adequate WCF resource authority have been received from Headquarters,
and
- D. WCF budgetary resources are available.

020402. WCF budgetary resources are: (a) a valid undelivered order - obligations prepaid/advance in the accounts of a Federal customer, (b) a valid undelivered order - obligations unpaid in the accounts of a federal customer, (c) an order from a non-federal customer accompanied by an advance, or (d) an order from a non-federal customer unaccompanied by an advance where a waiver has been received from the Center Deputy CFO or the Headquarters, Director of Financial Management.

0205 MONITORING CUSTOMER ORDERS

020501. The WCF business entities are responsible for providing monthly status billing statements to their customers. The WCF business entities review the statements for accuracy to ensure that the appropriate customer is charged for the goods received or services provided. Upon receipt of the status billing statements, customers are responsible for analyzing the reports and monitoring their “burn-rate” or actual dollars charged for those services delivered.

020502. Customers should notify the WCF business entity concerning erroneous status billing information and work to resolve the problem prior to the next status billing cycle (within approximately 30 days). If a status billing problem cannot be resolved within this time period, the customer should raise the issue to the Center CFO, NASA CFO, or WCF Corporate Board as necessary.

020503. As the end of each fiscal year approaches, customers may request a deobligation of their funds for goods or services ordered that were not provided. A return of customer funds near the end of a fiscal year is permissible so long as the WCF business entity has not commenced work on the good or service ordered or incurred an obligation for those goods or services. By the beginning of the fourth quarter, customers should submit their modifications to customer orders that reflect estimated reduced service levels to the WCF business entity managers.

0206 MODIFYING CUSTOMER ORDERS

020601. Once a customer order has been signed by a customer and accepted by a WCF business entity manager, it is binding on both parties and can be modified only through mutual agreement. A modification of the customer order is required to change ordered service requirements and add additional funds or remove surplus funds. Customers should notify the WCF business entity prior to the fifteenth day of the month to effect changes in the level of service consumption and status billing for the following month. Modifications may be requested at any time during the year, but 30 days should be allowed for processing and data entry prior to the end of the fiscal year.

020602. Modifications that reflect only changes to a customer's identified lines of accounting (but not total funding) will be accepted by the WCF business entity.

020603. Modifications that affect the level of services ordered (increases or decreases from the original customer order amount) must be reviewed by the WCF business entity to assess its ability to provide the requested level of service and for possible impacts on other customers. If needed to preclude an adverse impact on the financial integrity of the WCF or other WCF customers, the WCF business entity may assess a charge to the customer to cover the cost of the modification.

020604. The WCF business entity will notify the customer on the status of their WCF customer order modification within 15 days of receipt. Depending upon the contract process, requirements, refinement and staffing that may be associated with the modification; the WCF business entity manager may require additional time to approve the modified customer order.

020605. Upon acceptance of the modified customer order and signature by a WCF business entity manager, the WCF business entity provides signed copies of the customer order modification to the customer. Once the modification is accepted, the modified service will begin immediately, consistent with the service start and service end dates.

0207 TERMINATIONS OF CUSTOMER ORDERS BY CUSTOMERS

020701. Customers wishing to terminate a previously ordered service should notify and submit a customer order modification to the WCF business entity manager as soon as possible. The customer is liable for funding all costs associated with service delivery until termination, and may be held liable for part or all of any other termination costs incurred by the WCF business entity.

020702. A WCF business entity requires a 30-day minimum advance notice for all service terminations to allow sufficient time to evaluate its impact. If there are expected adverse impacts on the financial integrity of the WCF or other WCF customers, the WCF business entity manager should raise the issue to the NASA CFO and WCF Corporate Board for review and consideration of the termination request.

020703. The WCF business entity manager should provide an analysis of the impact of the terminated service on cost recovery as well as any proposed corresponding rate changes to the NASA CFO and WCF Corporate Board. The WCF Corporate Board will review the situation; determine if the failure to purchase the service causes the WCF business entity to experience a significant loss; and will recommend a position on the termination request to the Center CFO for approval.

020704. To avoid the negative consequence referenced above, discipline is required of all involved parties. WCF business entities must be prepared to meet service requests and consider this a contractual obligation. Customer organizations must also consider it a contractual obligation to honor previously agreed-to service levels. While dissatisfaction with the quality or cost of WCF services is a bona fide reason for dropping services, spontaneous reductions are not permitted.

0208 TERMINATIONS OF CUSTOMER ORDERS BY WCF BUSINESS ENTITY

There are two circumstances in which a WCF business entity may consider terminating services.

020801. Termination Circumstance #1

A. One circumstance for which a WCF business entity may terminate service involves the consumption of services by customers in excess of the amount ordered in their customer order during a given billing cycle. An example is if a customer order is based and priced on a specified level of service but the customer consistently demands a higher, or greater, level of service. In those circumstances, after processing the monthly status billing cycle, the WCF business entity should notify the customer and request a customer order modification to increase the order amount and funding. Customers are obligated to pay for all services delivered.

B. If the customer order modification is not received prior to the next status billing cycle (within 30 days), the WCF business entity manager should notify the WCF manager and may seek authorization from the WCF Corporate Board and CFO to terminate the service. Once authorization is granted, the WCF business entity proceeds to terminate the service in accordance with associated vendor and other requirements. The customer is liable for funding all costs associated with service delivery until termination, and may be held liable by the WCF Board for part or all of any other termination costs incurred by the WCF business entities.

020802. Termination Circumstance #2. In the second circumstance, if a WCF business entity determines that it is not in the best interest of the NASA to continue providing a particular service, the WCF business entity may recommend the termination of that service to the WCF Corporate Board. The WCF business entity must provide sufficient rationale and notice to the current customer base and the WCF Corporate Board on why the service should be terminated. Only after approval by the WCF Corporate Board and the CFO may a WCF business entity discontinue the service.

0209 FINANCIAL INFORMATION, BILLING AND COLLECTION, CLOSEOUT

020901. Financial Information. Information will be reported to NASA project, functional, and enterprises on a timely basis at the order level so that all needed information is brought together to support proper management of WCF Customer orders. Information on the status of advances and cost accruals will be reported to WCF customers on a timely basis for each order and will include the following data:

A. Agreement Amount and Date. Copies of the agreement and information on the amount and date of the agreement (order).

B. Customer Deposits. Date and amount of customer deposits.

C. Billings and Collections. Date and amount of billings and collections received directly from customers.

D. Agreement Completion Date. Date that work is completed.

020902. Billing and Collection. Customer orders will be billed, at a minimum, once every 30 days. Collections will be immediately deposited to the NASA WCF appropriation. Appropriate accounting entries will be used (See FMR Volume 17, Chapter 1, Appendix 4).

020903. Closeout

A. The final status bill shall be submitted to the customer no later than 30 days after agreement completion date (goods and services are completed and delivered to customers or launched, etc.). In unusual circumstances the Center Deputy CFO or Headquarters, Director of Financial Management.

B. The WCF shall bill customer order cancellation or reduction costs. When a customer order is modified, terminated or reduced in scope after a WCF business entity has commenced work or incurred costs on the customer order, the costs incurred, plus the applied overhead (that is, indirect and other normally allocated overhead, such as general and administrative (G&A) costs plus costs associated with the cancellation or reduction) shall be charged to the customer.

CHAPTER 2

APPENDIX 1

GSA FORM 49

- A. GSA Form 49, Requisition/Procurement Request for Equipment, Supplies or Services
- B. Instructions for Preparation of GSA Form 49

REQUISITION/PROCUREMENT REQUEST FOR EQUIPMENT SUPPLIES OR SERVICES (Instructions on reverse)						PAGE 1 OF 1 PAGES	
2. REQUISITION/PROCUREMENT REQUEST NO.		3. ACT NUMBER		4. DATE PREPARED		5. JOB/PROJECT NUMBER	
6. TO (Stockroom/Contracting office, Name and Location)				7. FROM (Requisitioning office, Name, Symbol, Location and Telephone Number)			
8. FOR INFORMATION CALL (Name and Telephone Number)				9. RECEIVING OFFICE (Name, Symbol and Telephone Number)			
10. ACCOUNTING CLASSIFICATION				11. SHIP TO (Address, ZIP Code and Telephone Number)			
FUND	ORG. CODE	B/A CODE	O/C CODE				
FUNC CODE	C/E CODE	PROJ/PROS. NO.	CC-A				
W/ITEM	CC-B	PRT/CRFT					
				12. CONTRACT NUMBER			
ITEM NO. FORM OR STOCK NUMBER (13)	DESCRIPTION OF ARTICLES OR SERVICES (14)			QUAN-TITY (15)	UNIT OF ISSUE (16)	UNIT PRICE (17)	AMOUNT (18)
							\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
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							\$0.00
							\$0.00
							\$0.00
							\$0.00
							\$0.00
IF ADDITIONAL SPACE IS REQUIRED, USE GSA FORM 49A, REQUISITION/PROCUREMENT REQUEST							19. TOTAL AMOUNT INCLUDING CONTINUATION
20a. TYPED NAME AND TITLE OF FUND CERTIFYING OFFICIAL			21a. TYPED NAME OF REQUISITIONER				
20b. SIGNATURE		DATE	21b. SIGNATURE		DATE		
22. LIST ATTACHMENTS			23a. TYPED NAME OF APPROVING OFFICIAL				
			23b. SIGNATURE		DATE		
			24. SHIPPED BY				
			<input type="checkbox"/> FREIGHT <input type="checkbox"/> PARCEL POST <input type="checkbox"/> EXPRESS <input type="checkbox"/> MAIL				
			25. FILLED BY		26. PACKED BY		
			27. CHECKED BY				
			28. BILL OF LADING NUMBER		29. DATE SHIPPED		

GENERAL SERVICES ADMINISTRATION
GSA FORM 49 (REV. 7-91)

INSTRUCTIONS FOR PREPARATION OF (GSA FORM 49)

GENERAL. The GSA Form 49, Requisition/Procurement Request for Equipment, Supplies or Services, must be used as the basic procurement request form when requisitioning supplies not available from Customer Supply Centers, equipment, services (including architect-engineer and other related services) and construction (see GSA Handbook, Preparing Procurement Requests and Receiving Reports, APD P 2800.14). The GSA Form 49 must also be used to requisition forms and publications from the GSA National Forms and Publications Center. The GSA Form 49 is not to be used as a printing requisition or to order motor vehicles from the Federal Supply Service Automotive Commodity Center. Use GSA Form 50, Requisition for Reproduction Services, to order printing services and GSA Form 1781, Motor Vehicle Requisition, to order motor vehicles.

REQUISITION/PROCUREMENT REQUEST IDENTIFICATION NUMBER. All procurement requests submitted to a contracting office must be assigned a number for identification purposes. The number used may be the ACT number (block 3) or a requisition/procurement request number (block 2). Assignment of an identification number is optional for requisitions for forms, publications and telephone service.

COPIES. Procurement requests must be prepared in an original and two copies, unless otherwise specified by the contracting office. The original and one copy must be forwarded to the appropriate contracting office and one copy will be retained by the program office. The number of copies of other requisitions will be as prescribed by the office receiving the GSA Form 49.

INSTRUCTIONS FOR COMPLETING THE BLOCK: The numbered blocks will be completed as described below:

1. Enter the total number of pages in the requisition/procurement request.

2. Enter the number assigned by the requisitioning office. Procurement request numbers, if assigned, must be numbered consecutively by fiscal year and consist of the requisitioner's office symbol, fiscal year and a number, e.g. V-88-1, V-88-2. Completion of this block is optional.

3. Assign an Accounting Control Transaction (ACT) number in accordance with NEAR system procedures.

4. Enter the date on which the requisition/procurement request is prepared.

5. Where appropriate, enter the job/project number (or title if necessary for identification) of the job/project to be charged for the requisition/procurement.

6. Enter the organizational title, office symbol, and location of the appropriate office.

7. Enter the organizational title, office symbol, location and telephone number of the requisitioning office.

8. Enter the name and telephone number of the person who can furnish additional information concerning the requisition/procurement request.

9. Enter the name, office symbol and telephone number of the office responsible for completing the receiving report.

10. Enter the accounting classification against which the requisition/procurement request will be charged. If multiple accounting classifications are required, the information should be entered in blocks 13 through 18 or on the GSA Form 49A, Requisition/Procurement Request for Equipment, Supplies or Services (Continuation).

11. Enter the address, including room number, where applicable, building and telephone number to which the items are to be delivered. Whenever appropriate, use GENERAL SERVICES ADMINISTRATION and an office symbol as the first line of the address.

12. Fill in this block only if a procurement request is requesting the exercise of an option, a contract modification, or an order against an existing contract. Enter the number of the existing contract.

13. List one number for each line item requisitioned whether the line item is a single item, or a quantity of that item. Indicate the appropriate stock number, if any.

14. If a stock number has been entered in block 13, enter only the noun name of the item being requisitioned. Otherwise, describe clearly and fully the supplies or services being requisitioned. Include any special requirements or restrictions and required justifications in this block. If available, include a list of suggested sources, including the address and telephone number. If more space is needed, type across the full page in the space available in blocks 13 through 18 or on GSA Form 49A.

15. Enter the quantity of units for each item number.

16. Describe the type of unit, e.g., dozen, square foot, manhour.

17. Enter the unit price for each unit described.

18. Enter the estimated price for the total number of units requested.

19. Enter the estimated price for ALL items requisitioned.

20. Enter the name, title and office symbol of the official who is authorized to certify the availability of funds and the correctness of financial data in block A. The official must sign and enter the date in block B.

21. Enter the name, title and office symbol of the originator of the requisition/procurement request in block A. The named official must sign in block B.

22. Briefly list all attachments to the GSA Form 49.

23. Enter the name, title and office symbol of the official approving the requisition/procurement request, as required by office policy, e.g., supervisor, branch chief, director, in block A. The named official must sign in block B.

24-29. Personnel from the GSA National Forms and Publications Center will complete these blocks. Not applicable to procurement requests.